HELSINKI SCHOOL OF ECONOMICS (HSE)
Department of Management

STRATEGY PROCESSES AT AN ENTREPRENEURIAL FIRM

Case: Digia Inc.

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TIIVISTELMÄ

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STRATEGIAPROSESSIT YRITTÄJÄVETOISESSA YRITYKSESSÄ
Case: Digia Inc.

Tutkimuksen tavoitteet

Tämän tutkimuksen tarkoituksena oli selvittää, kuinka eri strategioita luodaan yrittäjävetoisessa yrityksessä ja ketkä strategiatyöhön osallistuvat. Lisäksi tavoitteena oli tuottaa uutta empiiristä tietoa toistaiseksi verraten vähän tutkittuun aiheeseen.

Teoreettinen viitekehys

Teoreettisen viitekehyksen keskeiset osat ovat yrittäjyys, strategiaprosessi ja strategiaprosessi erityisesti yrittäjävetoisessa organisaatiossa. Teoreettinen viitekehys esittelee tyypilliset yrittäjyyden ja yrittäjän piirteet ja käyttäytymismallit sekä strategiaprosessit. Keskeisimpinä lähteinä on käytetty Mintzbergin tuottamaa kirjallisuutta ja hänen tutkimustuloksia.

Tutkimusmenetelmät

Empiirinen aineisto kerättiin case-tutkimuksena suomalaisessa mobiilialan yrityksessä nimeltään Digia. Tutkimuksen suorittanut henkilö oli itse vakituisessa työsuhteessa kyseisessä yrityksessä ja toimi yrityksen johtoryhmän jäsenenä vuoden mittaisen empiirisen tutkimuksen aikana. Primäärinen laadullinen aineisto kerättiin pääsääntöisesti aktiivisella osallistumisella käytännön strategiaprosesseihin. Toissijaiseen aineistoon kuuluivat mm. henkilökohtaiset muistiot, sähköpostiviestit, pöytäkirjat, haastattelut ja keskustelut.

Tärkeimmät havainnot

Tutkimuksen tuloksena havaittiin, että yrittäjävetoisessa yrityksessä strategioita voidaan muodostaa myös yhteistyössä yrittäjän ja johdon välillä. Tämä havainto poikkeaa teoreettisessa viitekehyksessä esitetystä mallista. Toinen edellistä täydentävä havainto oli, että case-yrityksessä on muodostunut kaksi johtamistyyliä, jotka integroituvat strategiaprosessissa keskenään yrittäjän ja johdon vuorovaikutuksessa.

Avainsanat: strategia, strategiaprosessi, yrittäjyys, yrittäjä

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ABSTRACT

Date 16/02/03

STRATEGY PROCESSES AT AN ENTREPRENEURIAL FIRM
Case: Digia Inc.

Objectives of the Study

The purpose of this study was to examine how strategies are formed at an entrepreneurial firm and who participate in the strategy-making processes. The researcher also aimed to shed some additional light on relatively unexplored field of strategy-making in entrepreneurial context.

Theoretical Framework

The theoretical framework of this study comprises of entrepreneurship and the strategy-making processes with an emphasis on entrepreneurial firms. The theoretical framework introduces typical characteristics of entrepreneurship and entrepreneurs and the strategy-making processes. The main part of the reviewed literature has been authored by Mintzberg.

Data and Research Methods

The empirical data was gathered as a single 12-month longitudinal case study in a Finnish mobile software company called Digia. The researcher was a full-time employee and a member of the management team of the company during the field study. Primary qualitative data was gathered through active participation in the company's strategy-making processes. The secondary research data consisted of personal memos, email messages, minutes of meetings, interviews and informal discussions.

Main findings

As a result of the study two main findings were identified. One main finding was that the strategy-making process can involve several people in entrepreneurial context. The results indicate that strategies are formed through interaction between the entrepreneurial Founder and management at the case company. This finding is in contrast with the theoretical framework which suggests that the strategy-making is managed by individual leaders in entrepreneurial organizations. The other main finding was that a structured administrative approach has emerged which supplements the entrepreneurial approach in the strategy-making processes at the case company.

Key Words

Strategy, strategy process, entrepreneurship, entrepreneur

TABLE OF CONTENTS

I. LIST OF FIGURES

II. LIST OF TABLES

III. ACKNOWLEDGEMENTS

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1. INTRODUCTION

Strategy processes of organizations and entrepreneurship have been two popular research topics over several decades. The growing interest towards strategy processes can be explained by increasing fierce competition in the markets and globalization of businesses, which have forced companies to develop their strategy-making capabilities for improving their competitiveness. Entrepreneurship has been recognized as a fundamental source of innovation and prosperity in market economies since the early part of the previous century, and therefore it is easy to understand why it is being studied widely.

Based on my own experiences as a business practitioner, I have noticed that strategy-making capability can make or break companies. It has also been studied by academia that strategy formulation and implementation skills are two out of three most important firms' success factors. There is a lot of information available in forms of books, articles, consultant reports and so on regarding the strategy-making, but relatively seldom business executives actually master the strategy-making processes adequately in practice. As a result, precious time, money and resources are often wasted and companies loose their competitive edges due to the poor strategy-making capabilities.

The study presented in the paper is related to two centric theoretical frameworks: strategy-making processes and entrepreneurship. From these frameworks, Mintzberg (1982; 1985; 1987), Ansoff (1984) and Hart and Banbury (1994) have studied strategy-making processes for instance. The phenomenon of entrepreneurship has inspired many researchers to examine common characteristics and behaviors of entrepreneurial persons as well as the role of entrepreneurship in individual companies regardless of the size and age of the firm. Some famous researchers in this field include Stevenson and Gumbert (1985), Mintzberg (1989) and Drucker (1985).

Although strategy-making processes and entrepreneurship have been studied widely separately, relatively little research has been undertaken which addresses strategy-making particularly in entrepreneurial organizations. According to Mintzberg et al. (1998), the entrepreneurial strategy-making style "has never presented more than a thin trickle of writing and research." Mintzberg (1982; 1985; 1987; 1998) himself is one the most prominent researchers of the topic. Some other researchers, who have studied strategy-making in entrepreneurial firms, include Mintzberg's colleague Waters (1982), Hart and Banbury (1994), and Hill et al. (2000). Limited availability of empirical evidence motivated me to conduct a study on the strategy-making processes at an entrepreneurial firm based in Finland.

The purpose of this paper is to report the results of my case study on strategy-making processes at the entrepreneurial company. The case study company operates in the mobile software industry and is based in

Finland. I was employed by the company in a management position during the study that enabled me to gather the research data through active participation in the strategy-making processes. Some researchers (e.g. Drucker 1985, Mintzberg 1989) have suggested that the entrepreneurial strategy-making often takes place through an individual leader's visionary thinking process. According to the literature, the entrepreneurs typically set the vision and craft strategies for their companies based on their intuition and intimate personal knowledge about their markets and customers.

My key findings in the case study illustrate a more colorful picture of the strategy-making process in the entrepreneurial company. At the case company the strategy-making process turned out to be a result of the Founder's entrepreneurial spirit and behavior blended with management's disciplined and organized behavior. In other words, I found out that strategy-making process in entrepreneurial context can involve more people than just one person and that the process can be more structured than has been said in the earlier literature. Moreover, I conclude that the structure of strategy-making process can vary in a company depending on the given strategy and background and skills of the people who are involved in strategy-making. I also recognized that the role, which the entrepreneurial Founder of the company plays in strategy-making processes, depends on the specific strategy in question (e.g. product development, sales and partnership). The Founder and management have defined their responsibilities, and it is evident that the Founder is the visionary leader and management's key role is to act as a filter, which evaluates feasibility of the Founder's new business ideas. Finally, I recognized that opportunity driven entrepreneurial and control driven administrative strategy-making styles can co-exist and complement each other in an entrepreneurial organization.

I have organized this paper into four main chapters. In the first chapter I will review three earlier studies closely related to strategy-making in entrepreneurial environment. Mintzberg and Waters (1982), who had researched strategy processes of the successful entrepreneurial North American retail chain over a period of several decades, have done one of those studies. I will also report what Harris et al. (2002) have found out about strategy-making practices of 21 formally business-educated entrepreneurs. Finally, I will report what Hart and Banbury (1994) have commented about importance of deploying not just one but several strategy-making styles in one organization according to the situation of the company and its markets.

The second chapter provides the theoretical framework for analyzing my empirical case study in terms of entrepreneurship and strategy-making process concepts. Due to Mintzberg's wide experience and credibility in both of these concepts, I have reviewed literature produced by him in detail and use his models as the backbone of the framework. Mintzberg has defined entrepreneurial strategy-making style as a visionary process in which the entrepreneur exclusively plays a central role. He suggests further that the strategy process starts from the entrepreneur's deliberate plan formed likely in his head, and that the strategy is then either realized or unrealized. The entrepreneurial strategy-making remains open for external stimulus and the strategy can be amended later. Mintzberg calls this phenomenon an emergent strategy.

The purpose of the third chapter is to report the outcome of my empirical study at the case company. In particular, I will first introduce the personality profile of the Founder, and I will then describe how the company formed various strategies through interaction between the Founder and management. I present the observations on "as is" basis without incorporating any theoretical analysis into the data in this chapter.

In the last chapter I will discuss the empirical findings in the light of the results of earlier studies and the theoretical framework presented in this paper. I will first present entrepreneurial characteristics of the case company and the company's Founder. This is followed by the analysis of the company's strategy-making practices utilizing the theoretical concepts of strategy process. In that task I will focus on analyzing the interaction between the Founder and management. Finally, I will suggest that control mechanism can exist also in an entrepreneurial organization and it can supplement intuitive entrepreneurial thinking and behavior.

2. REVIEW OF EARLIER STUDIES REGARDING ENTREPREURIAL STRATEGY PROCESSES

In this chapter I will introduce three studies in relation to the strategy-making processes which have been conducted in the past. Although I was not able to find reports of studies which would have highlighted the strategy-making practices in the same way as I have done in my own empirical study, I am pleased to review the results of three interesting studies which are closely related to the subject.

The first study which I will introduce highlights the findings of the research with 21 entrepreneurial firms which had been undertaken by Harris et al. (2002) in the UK. The purpose of their research had been to find out whether the educated entrepreneurs will deploy in practice those theoretical strategy-making approaches that they had learned in a training program and at universities. The review of the study authored by Hart and Banbury (1994) provides some insights into the question whether firms should stick with one strategy-making style or whether it would pay off for them to deploy various strategy-making approaches depending on the situation. Finally, I will review the results of a major longitudinal study which Mintzberg and Waters (1982) had conducted with an entrepreneurial retail chain. The target of that research had been to find out how strategies are formed in a firm run by a strong entrepreneur. The review of these three studies should provide good insights what types of studies have been conducted in the field of the strategy-making processes.

2.1. Does the entrepreneur utilize the formally learned strategy-making skills in practice?

One interesting empirical study on strategy processes in entrepreneurial firms has been conducted in the UK by Harris et al. (2002). In that study the authors had examined 21 entrepreneurial firms of which owners had participated in a training program called "The Graduate Enterprise Programme" at the University of Stirling. That program aims to support entrepreneurs for establishing new ventures in the UK. The authors had tried to find out how the strategy-making processes in practice differed from what the entrepreneurs had learned earlier about the strategy-making in theory at business schools and in the training program, which had largely focused on widely adopted and accepted planning process and competitive paradigms in strategy processes. The authors had gathered the data thorough non-directive interviews with the entrepreneurs who had had from seven to 12 years of practical experience in running their start-up companies after graduating from the training program.

Based on the findings of the study Harris et al. (2002) have concluded that the entrepreneurs deploy those strategy-making approaches taught in the business schools and the training program, but only in limited extent. For instance, the entrepreneurs use objective setting for planning and control and they maintain formality in some strategic discussions. Furthermore, the planning approach is more used in firms operating in mature than younger industries.

Nevertheless the most prominent way to form strategies within studied entrepreneurial firms is based on the emergent approach. Harris et al. (2002) do not describe the emergent approach in detail in their report, but I will do it in next chapter of this paper when I introduce Mintzberg's contribution into forming the framework for the strategy-making processes. Harris et al. (2002) conclude that the development of emergent strategy techniques is relevant especially in innovative industries. In practice, the entrepreneurs often omit business plans and analytical formal decision making processes. Moreover, based on the findings it is evident that entrepreneurial firms tend to favor forming strategies around key intangible resources rather that adjusting own strategies depending on the moves of competitors.

The authors had identified two sets of intangible resources standing out: internal and external relationships and key knowledge and skills. In particular, entrepreneurs use close personal "trusted" relationships with various stakeholders (e.g. friends, clients, employees, family members) as a link between the emergent strategy process and the employment of the resource-based view. The relationships offer a source of ideas and a basis for open and frank discussion of strategy for entrepreneurs and the entrepreneurs develop even visions based on discussions with their close stakeholders. In short, those trust-based relationships are deeply important to the strategy process in entrepreneurial firms.

2.2. *Should we use one or several strategy-making styles?*

In another study Hart and Banbury (1994) examined what influence the strategy-making processes can have on performance of the firms. Based on analysis of prior research in the field they had become to a conclusion that most studies have been dealing with analysis of strategic decisions rather than the strategy-making in organizations. In relation to a great variety theoretical approaches in the strategy-making they remind that the interaction between the top managers and organizational members have been used as a basis for differentiating one approach from another. The authors introduce five perspectives for strategic-making processes (see Table 2.1 below). The hypotheses of their own quantitative empirical study suggest that if a firm masters a number of those perspectives and deploys them effectively depending on the situation it is able to gain a competitive advantage in terms on strategic capability.

Strategic-Making Mode	Style	Roles of top management and staff	Characteristics
Command	Imperial: strategy is driven by leader or small top team	Top management: Commander Staff: Soldier	CEO sets strategy CEO determines vision CEO makes and executes strategy
Symbolic	Cultural: strategy driven by mission and a vision of the future	Top management: Coach Staff: Player	Challenge our people 20 year corporate dream Personal example
Rational	Analytical: strategy is driven by formal structure and planning systems	Top management: Boss Staff: Subordinate	Written strategic plan Formal procedure Written mission statement Formal analysis
Transactive	Procedural: strategy driven by internal processes and mutual adjustment	Top management: Facilitator Staff: Participant	Strategy is iterative Ongoing planning involving all People have input Market feedback
Generative	Organic: strategy is driven by organizational actors' initiatives	Top management: Sponsor Staff: Entrepreneur	People willing to risk Experiments encouraged Employees understand

Source: Hart and Banbury 1994, see also Hart 1992

Table 2.1 An integrative framework of the strategy-making processes

Hart's and Banbury's (1994) key finding had been that firms which master versatile strategy-making modes tend to outperform their competitors, and thereby they have positive supporting evidence for their hypotheses. The authors had found out that the strategy-making capability is positively associated with performance in larger firms but not necessarily in small firms (1-8 employees), but current profitability is explained better by strategic actions undertaken in the past. There is a time lag before strategic actions start affecting the profitability and current financial results might be easier to explain with current industry structures. The authors make two conclusions based on their findings. One, it pays off for firms to master several modes of the strategy-making processes. Two, high level of the strategy-making process capability facilitates better performance in a number of situations and settings. Furthermore, they suggest that the capability to master several strategy-making processes is most beneficial for larger firms operating in turbulent environments. The authors conclude that "the process through which strategy is made holds potential for competitive advantage and requires purposeful design and management attention".

2.3. How strategies are formed in an entrepreneurial firm?

Mintzberg and Waters (1982, 465-499) had studied strategy formation in a Canadian retail chain over its 60 years of history. The retail chain is recognized as an entrepreneurial firm, and thereby the results of the longitudinal study offers some interesting and educational insights into otherwise limited availability of empirical research data on strategy formation in successful entrepreneurial firms. The authors' generalizations of fundamental the strategy-making processes should be applicable to entrepreneurial firms in any industry.

The authors call usual definition of strategy as intended by referring to management's determination of long-term planning regarding actions and resources. They want to expand that traditional definition of strategy so that it can also capture the essence of actual, realized strategies which they call as a pattern in a stream of decisions. This was also a trigger for the authors to design a study to track strategy formation processes in a large group of organizations.

The authors selected organizations into the study on individual basis and in each case study they executed the following four steps. In the step one basic data was collected from the organizations to discover their histories. In the step two patterns and periods were inferred from gathered data. The purpose of the step three was investigate transitions from one to another strategy. In that phase, the researchers examined people and forces that shaped strategies as well as the interrelationships among the different strategies and related structures. At the final fourth step the researched formed theories based on a wealth of empirical evidence. In their paper Mintzberg and Waters (1982) introduce the results of one of the conducted studies. The specific focus of the paper is in the strategy-making of Steinberg Inc, a Canada based successful entrepreneurial retailer.

The outcome of the extensive research at Steinberg Inc. has provided some invaluable insights into the strategy-making at entrepreneurial firms. One central theme, which stands out from the results, is the presence of waves of organizational stability. The researchers had recognized that Steinberg Inc had experienced a transformation from a small, personalized and flexible one store opened in 1917 by Mrs. Ida Steinberg into larger more systematic and economically powerful corporation. The authors had examined the transformation from entrepreneurial and planning perspectives. In addition, they note the uneven progress of growth and the infrequency of strategic change from the outcome of the study.

Regarding growth, Steinberg Inc. had opened new stores in batches which, according to Mintzberg and Waters (1982), illustrate entrepreneurial risky leaps by overextending the resources into the future followed by periods of stability and restructuring. They call this approach opportunistic, "inchworm growth" as opposed to planned behavior. The authors note some advantages for this type of strategy including created energy and excitement in the organization. The sprints, which the entrepreneurial organizations take, enable exploitation of windows of opportunities, but they require to postpone sorting out resources, structures etc later. Obviously this kind of strategy has its drawbacks and it can lead into crisis, but the skillful entrepreneur knows when it is the right time to sprint and when it is more appropriate to slow down. The authors summarize that sprints mean progress and inspiration for the organization, but stable periods are equally needed to renew energies.

The strategic reorientations occur very seldom at Steinberg Inc. and the authors wonder whether MBA programs are overselling the case in that topic. The authors don't make comment about the factors which probably influence the results. I believe that the speed of change has increased in any industry because of increased competition, globalization, and technology which means that also Steinberg's might need to revise their major strategy orientation more often in these days that between 1917-1980's. Furthermore, Steinberg's operates in retailing business in which the rate of change is slower than for instance in the high-tech sector, which is the focus of my own study.

Mintzberg and Waters (1982) make interesting comments about the passion and commitment that senior manager of Steinberg Inc. had demonstrated. The researchers expressed their surprise when they told that the company's managers had been as enthusiastic about a shipment of strawberries as about big decisions dealing with a future of the whole company. The authors suggest that this explains why entrepreneurs succeed in forming and also implementing their strategies, whereas strategic planners of the deliberate strategy-making styles lack that intimate streetwise knowledge of operations and consequently their intended strategies are more often doomed to fail from the day one.

Successful entrepreneurs take bold moves in the markets, but as Steinberg Inc case indicates it is important to differentiate controlled boldness from foolhardiness. Steinberg never went into new business at full speed without testing the waters first. The authors note that Sam Steinberg has truly intimate knowledge of the business which has guided him to make decisions based on "wisdom – detailed, ingrained, personalized knowledge of the world" (Mintzberg and Waters 1982, 495). This entrepreneurial mode was useful for a period of decades until the business grew so big that it was impossible for single man to master all details of the business. Not until that point the company remained as an entrepreneurial enterprise.

3. CAPTURING FUNDAMENTALS OF ENTREPRENEURSHIP AND STRATEGY PROCESS

In this chapter I will review literature regarding entrepreneurship and strategy processes. The literature forms the theoretical framework for the empirical study reported on this paper. I will use the concepts of the theoretical framework later in this report for interpreting the data gathered in the empirical study.

3.1. Background

The impetus for the theoretical framework of this study originated from Mintzberg's et al. (1998) book *Strategy Safari* in which the authors introduce ten various schools of strategic management. Recognizing the scope of my empirical study at Digia, which I had already completed when I was reading that book, I spent some time in evaluating which one of the ten general strategic management schools might fit the best with the empirical data. As a result of this analysis I selected the entrepreneurial approach for a reason that even though Digia has started to evolving towards a more stable and established business enterprise, the Founder, management and employees as well as the company's other stakeholders still consider Digia as a start-up. The start-up phase is demonstrated in many ways at the company. For instance, it is financially backed up by risk capital, its management processes have been evolving and the roles and responsibilities of key persons have been redefined quite lately. Therefore, I decided to approach my research data from the entrepreneurial perspective and to focus my literature review accordingly.

After iterating my ideas few times between the original goals of the study, empirical data which I had gathered in the case company and my preliminary literature review, I decided to focus my reading into two areas: entrepreneurship and strategy processes. The simple rationale for this is as follows. One, without understanding the theoretical principles of entrepreneurship, it would be difficult to comprehend the underlying fundamentals for strategic process in the case company from the entrepreneurial perspective. Two, the strategy process is a broad concept and different persons can have very different perception what that is all about. That is why I consider it worthwhile building a general framework for strategy process model. I will also review what other researches have been writing about strategy processes within entrepreneurial firms.

There are some other important aspects, which have motivated me to analyze the results of the empirical study from the perspective of the entrepreneurial strategy-making, and explain the specific selection of the literature for review. To start with, although entrepreneurial features stand out in the strategy-making processes at the case company, not all basic principles of the theoretical entrepreneurial framework match with the observed practices at the company. For instance, while the entrepreneurial school suggests that strategies are formed by an individual leader based on his or her intuition and independent personal strategic thinking, at Digia many strategies are shaped through interaction between the Founder and management. In essence, this could be a sign that the company is transforming itself from entrepreneurial into more formal managerial centric business enterprise, but it does not have to be the case necessarily. Based on my observations, I would suggest that there is room for interaction and consensus oriented style also in the entrepreneurial strategy-making. To support this view I will introduce evidence in my empirical study which could be used as a contribution to develop the theoretical entrepreneurial strategic-making framework further. Furthermore, regardless of omnipresence of start-up firms the entrepreneurial strategic management school has received very little attention among researchers and there is demand for additional research related to this topic (Mintzberg et al. 1998, 129-130). Finally, although I was initially conducting the data gathering phase in a belief that it is management who formulates the strategies and submits them for acceptance by the Board of Directors, it became evident during the study that the Founder of the company participates actively in the strategy-making process and he has had a major impact on the realized strategies.

In summary, the main purpose of this chapter is to provide the conceptual theoretical framework of the strategy-making processes in entrepreneurial organizations. I will utilize the presented framework later in this paper for interpreting how strategies are formulated at the case company by the Founder and management. In the following sub-chapters I will first introduce various definitions of entrepreneurship and entrepreneurs. Then I will provide the results of the literature review on strategy processes both in general terms and in entrepreneurial context.

3.2. Common Characteristics of Entrepreneurship

Entrepreneurship can be defined and understood in several ways. It can be viewed alternatively from organizational or individual perspective. Entrepreneurs have been a subject of research, and they have alternatively been defined based on their traits, behaviors and functions. In this sub-chapter I will provide the summary of the literature review regarding entrepreneurship and entrepreneurs.

One fundamental new thing regarding entrepreneurship that I learned during the literature review is that in nowadays the concept of entrepreneurship is used for referring to whole organizations rather than individual persons. I believe it is fairly common to associate the phenomenon of entrepreneurship to individual persons. This is understandable for the reason that in early definitions of entrepreneurship it was associated with persons rather than organizations. My own perception changed when I had read Reich's (1987, 77-83) article on transforming a basic understanding of entrepreneurship in the North America. Focusing at North Americans Reich has stated that celebrating individual entrepreneurs as heroes is obsolete, and instead of that we should start embracing collective entrepreneurship in which entrepreneurial capabilities and attitudes are diffused throughout the company. Furthermore, he suggests that rather than celebrating big ideas from individuals we should encourage teams towards continuous development of smaller ideas.

Reich's views are supported by Stevenson and Gumbert (1985) who also are advocates of the organizational level entrepreneurship. They have found out that entrepreneurial organizations have the following characteristics: encouragement of individuals' imagination, flexibility and willingness to accept risks. In their article *The heart of entrepreneurship* the authors aim to outline entrepreneurship in the context of a range of behavior as summarized in the Table 3.1 below. According to the authors, individuals, who have an entrepreneurial mindset, have two usual personal characteristics: they desire a future state involving growth or change, and they believe it is possible to reach that state.

		Is desired future state characterized by growth and change?	
		Yes	No
Is there power and ability to realize goals?	Yes	Entrepreneur	Satisfied manager
	No	Frustrated potential entrepreneur	Consummate bureaucratic functionality

Source: Stevenson and Gumbert 1985

Table 3.1 Opportunity matrix for individuals and organizations

What makes this matrix often difficult is that incorporating that entrepreneurial approach is not an easy task especially if the rest of the organization belongs to some other corner on the matrix. This is a potential area of conflict between the entrepreneur and management of the company because of diversified interests. According to Stevenson and Gumbert (1985) most people are inclined to keep things unchanged because favorable capacity utilization and sales growth based on use of existing resources is a more desirable goal that undertaking new risky opportunities. In other words, the authors' bottom line message is that entrepreneurial thinking and behavior is needed throughout the company so that conflicts are avoided.

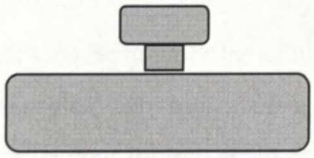
Mintzberg (1989) and Drucker (1985) have expressed a slightly different view in respect that they think in a traditional way and suggest that planning of the strategy processes and decision-making authority is concentrated to the top, most likely to one single person. We have to be careful, however, not to make any general conclusions from their views because they have referred to very small enterprises with only few employees in which strategies and other most relevant managerial decisions can be done efficiently by a single leader.

Mintzberg (1989, 116-130) comments that in an entrepreneurial organization the power is concentrated to the chief executive and everyone else at the organization might report directly to the chief. The chief executive creates strategies based on his or her intuitive thinking and reflecting aggressive search of opportunities. According to Mintzberg's view, the leader of the company does not have to disseminate information since knowledge and power remain exclusively at the top. This simple structure enables fast and flexible decision-making. Mintzberg suggests that the creation of strategic vision is a central component of entrepreneurship and that strategy process is rather deliberate on the basis that strategies are formed by individual leaders. In most extreme cases, the strategy can be even a reflection of the chief executive's own personality.

In the entrepreneurial firm the organization structure is often simple and the organization adapts to the leader's initiatives (see Figure 3.1 below) that he makes independently of the others in the organization. In a classical case the leader is also the owner of the firm and he typically hates bureaucracy and formal structures. The leader runs the organization utilizing personalized power and there is little the others in the organization can do regarding planning and decision-making. Moreover since the creation of strategy is the responsibility of the leader, the process is intuitive and it often means aggressive search for new opportunities. (Mintzberg, Quinn and Ghoshal 1995, 588-589)

Mintzberg (1983, 159-161) has also considered some disadvantages which the entrepreneurial organizations may be facing. He has suggested that the chief executive may become so obsessed with visions and the strategy-making that he or she loses touch with the operational issues. On the other hand, the chief executive may use so much his/her personal time on operational issues that the company starts lacking leadership. Complete centralized power can also be harmful if the leader becomes ill or wants suddenly to exit the venture because of personal reasons. The chief executive may also become so personalized with the power that he/she starts resisting changing the structure of the organization and delegate the power to the others in the organization. Finally, this simple structure of the entrepreneurial structure does not offer many opportunities for the others to participate in planning and decision-making which they may consider as a de-motivating factor.

The Entrepreneurial Organization



Structure:

Simple, informal, with little staff or middle-line hierarchy

Activities revolving around the chief executive, who controls personally, through direct supervision

Context:

Simple dynamic environment

Strong leadership, sometimes charismatic, autocratic

Startup, crisis, and turnaround

Small organization, local producers

Strategy:

Often visionary process, broadly deliberate but emergent and flexible in details

Leader positions malleable organization in protected niches

Issues:

Responsive, sense of mission but vulnerable, restrictive

Danger of imbalance toward strategy or operations

Source: Mintzberg 1989, 117

Figure 3.1 Entrepreneurial organization

Furthermore, Mintzberg (1994, 411) comments in his book *The Rise and Fall of Strategic Planning* that the entrepreneur wants to control everything and that he cannot accept input from others and avoids communicating the strategy formed and located in his head to others. It is interesting to notice though that it seems Mintzberg (1973, 128) has changed his mind over 20 years because in the early 1970's he has commented that the entrepreneurial manager uses a lot of his time also for negotiating with others to implement his proposed changes.

Finally, Drucker (1985) advocates the individual level perspective in definitions of entrepreneurship, although his examples refer to companies rather than individual person. He illustrates his view in his article

Entrepreneurial Strategies in which he introduces three different entrepreneurial strategies. According to Drucker, the entrepreneur can either:

(1) To aim at being #1 in its market by inventing and developing something totally new (e.g. Apple);
(2) To let others handle the innovation and imitate what the others have invented before (e.g. IBM developing a PC); or
(3) To maneuver tactically and deploying resources in a very clever way (e.g. Japanese companies entering and beating the domestic players in the US).

Moreover, from Drucker's examples we can conclude that entrepreneurial strategy can be deployed both by a start-ups (e.g. Apple), but it can be useful also for very large established enterprises (e.g. IBM). His point seems to be, however, that the credit of entrepreneurial success belongs to individual leaders in these companies, in other words Steven Jobs and Thomas Watson respectively.

There is also another way to distinguish various schools of thought besides individual vs. organization level definitions of entrepreneurship. Earlier study on entrepreneurship can be divided into three categories. Some researchers have viewed entrepreneurship as a function in economy (e.g. Cantillon, Schumpeter); others (e.g. Harrison and Taylor) have described entrepreneurship in terms of traits which are typical for entrepreneurs, whereas some other researchers have studied typical behaviors of entrepreneurs (e.g. Stevenson, Bhide). I will review some of these different views next.

Function based entrepreneurship

The entrepreneurial concept is as old as the institutions of barter and exchange and over time students of the subject have formed different definitions for it. One of the most famous researchers in the field has been Joseph Schumpeter who has viewed entrepreneurship from the economy point of view. I think that Lintunen (2000, 38) encapsulates Schumpeter's definition of the entrepreneur well when she says that the Schumpeterian entrepreneur is the leader with innovative mindset and energy which drives the economy towards creativeness and new ventures. Schumpeter's thesis of leadership and innovation have been stimulating other scholars to study entrepreneurship further and the entrepreneurial models developed by Mintzberg (1989), Ansoff (1985) and Hamel and Prahalad (1994) have roots in Schumpeter's work. For instance, Mintzberg defines entrepreneurs as visionary leaders based on Schumpeter's leadership theory, and Ansoff and Hamel and Prahalad seem to be stimulated by context of creative destruction. (Lintunen, 10)

Entrepreneurial talent has often been associated with the quality of leadership and in the past it was not unusual to find entrepreneurs among merchants or militarist leaders as wars were fought for economic reasons. According to Herbert and Link (1988, 27), Cantillon had studied the field of entrepreneurship already in the 1770's from a functional perspective and he had said that the origin of entrepreneurship is in humans' limitations to predict the future. This helps to understand the concepts of risk, uncertainty and capital needs for entrepreneurial ventures. Those who must to deal with uncertainty on daily basis in their economic decisions are entrepreneurs.

Pinchot (1985, 32) discusses similarities between entrepreneurs and intrapreneurs in his book *Intrapreneuring*. Intrapreneurs have similar characteristics to entrepreneurs in established companies, and they contribute by taking new ideas and prototypes and turn them into profitable products or services. Moreover, Pinchot shoots down the myths regarding typical characteristics of entrepreneurs. He for instance says that instead of being greedy intrapreneurs desire to realize their visions so that they can say "I did it." Entrepreneurs also seek calculated rather than kamikaze type of high risks and want to create "unfair competitive advantage" by deploying a forerunner strategy in their business. Furthermore, against common beliefs, Pinchot says that entrepreneurs are very honest people which make sense if we recognize that venture capitalists must trust entrepreneurs for controlling over their invested money. (Pinchot, 70) In short, Pinchot beliefs that entrepreneurship is not a phenomenon of start-ups only, but it can be nurtured in larger established organizations and it can function as a vehicle for creating or sustaining competitive advantage in them.

In addition to Pinchot, Mintzberg (1973, 128) has recognized the benefits of using entrepreneurial leaders not only in start-ups, but also in larger organizations during periods of rapid changes. Mintzberg says that the entrepreneurs can be found both in small and large organizations, but in the latter the role is typically short-lived.

Drucker (1984, 59-63) has compared an American economy to some others in terms of entrepreneurial activity, and has concluded in the mid 1980's that entrepreneurship has evolved into systematic management fueled by well-developed venture capital markets, technology, demographic trends and developments in large companies such as IBM and AT&T.

Traits based entrepreneurship

The concepts of *innovation* and *high-risk taking*, which are often associated with entrepreneurship, are not always appropriate identifiers because entrepreneurs are not necessarily innovative, and they also can be risk-averse persons and consequently fund their venture by external capital. The critique of earlier research on explaining entrepreneurship in terms of traits has also indicated that entrepreneurs do have very different personalities and they become from different backgrounds (Bhide 1994, 152-153).

Herbert and Link (1988) define the entrepreneur as someone who specializes in taking responsibility for and making judgmental decisions that affect the location, the form and the use of goods, resources, or institutions. Entrepreneurs are often first-born children, male and college-educated. They possess typically a creative, energetic and highly-motivated personality. Considering their views these authors can thereby be classified into advocates of trait based entrepreneurs.

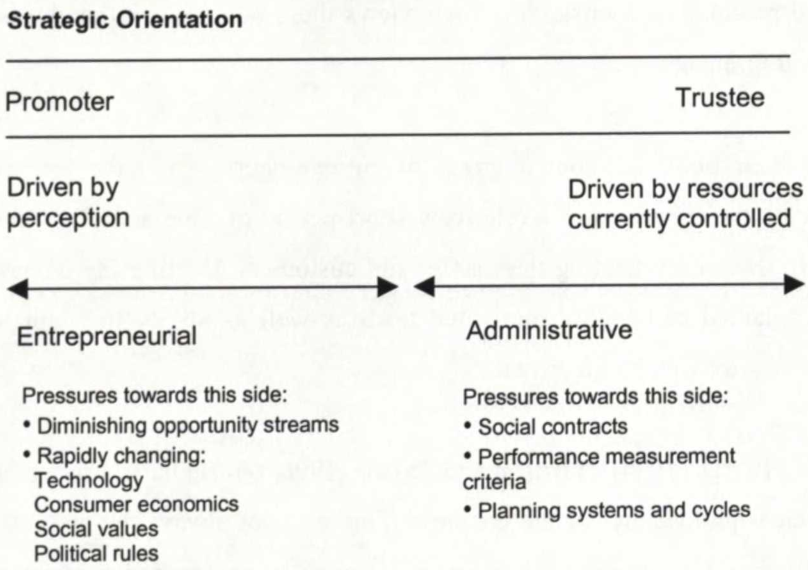
Harrison and Taylor (1996) state that their book is about a group of entrepreneurs who have created companies which have grown to dominate their markets in a relatively short period of time and about the strategies they have adopted. They claim that understanding the market and customers, the fragility of new ventures, and ability of to assemble a talented and highly motivated team as well as ability to adapt to changing market conditions are prerequisites for successful growth.

It is interesting that similar to Collins and Porras (1994), Harrison and Taylor (1996, 60-61) have discovered that ”the most noticeable trait was the clear philosophy for the business. This was not always the carefully written mission statement as commonly found in American businesses. Growth in researched companies seemed to be limited by the ability of the top manager to grow.” Bhide also agrees with the view that business planning is not a critical success factor at entrepreneurial firms. (Bhide, 150-161)

Sixty-two percent of the respondents admitted that they had no written strategy in their company against the 38 percent who replied in the affirmative. However, most of those without a written strategy did have a very clear idea about where they were and where they were going as a business (Harrison and Taylor, 65).

Another fundamental success factor, which was omitted by chief executives because of it was considered as a must, but identified by the researchers was ”intimate knowledge of the business they were in” and it was therefore added to core competences (Harrison and Taylor, 80-81).

Behavior based entrepreneurship



Source: Stevenson and Gumbert 1985, 11

Figure 3.2 Strategic orientations of entrepreneurs

Referring to the Figure 3.2 above Stevenson and Gumbert (1985) have reasoned that the pressures that pull towards entrepreneurial behavior include the following issues:

- Diminishing opportunity streams: old opportunity streams have been largely played out. It is no longer possible to succeed merely by adding new options to old products.
- Rapid changes in:
  - Technology: creates new opportunities at the same time it obsoletes old ones.
  - Consumer economics: changes both ability and willingness to pay for new products and services.
  - Social values: defines new styles and standards and standards of living.
  - Political roles: affects competition through deregulation, product safety and new standards.

Whereas economists typically use entrepreneurship as a definition for starting something new, authors of management associate the role of the entrepreneur in much wider context. Mintzberg (1973, 128) says that the entrepreneurial work has to do with scanning opportunities and problems. The entrepreneur needs ad-hoc data and tangible information from specific events rather than scanning routine reports.

Mintzberg (1973, 128) further defines the entrepreneurial manager as one who seeks opportunities and is keen on implementing changes, but who uses a lot of his time also for negotiating with others to implement his proposed changes.

Ansoff (1984, 179-180) has discussed differences between incremental and entrepreneurial in-both non-profit and business organizations, and he has come into a conclusion that typically entrepreneurial creative act is experienced only in early stages of a life-cycle of organizations after which they progressively settle into the incremental mode. However, he states that increasing competition has prompted some firms to deploy continual entrepreneurship in searching for growth.

In summary, we can view entrepreneurship either as individual or organizational phenomena. According to recent views it seems that organizational level entrepreneurship has gained more support. The implication of this is that the companies aim to promote entrepreneurial thinking to diffuse throughout organizations. While this should have positive impact on boosting benefits of entrepreneurial culture, it is inevitable that also disadvantages need to be taken into account. Another approach to identify existence of entrepreneurship is to review traits, functions and behaviors of individual persons (or organizations) that are believed to be entrepreneurial.

3.3. Literature on Strategy Processes

One of the most fascinating things in making strategies is that nobody has been able to offer a silver bullet for it. If one strategy works out perfectly for one company in one environment at one time, it may not work at all when some of these variables are changed. In other words strategies are highly context specific, and moreover, since environment in most industries can change abruptly good strategic management capabilities can easily prove beneficial. In this sub-chapter I will introduce the outcome of literature review on the strategy process with a special emphasis on entrepreneurial firms. In particular, I aim to highlight four fundamental concepts of strategy processes including definitions of strategy, strategy process, special characteristics of the strategy-making in entrepreneurial context and vision. Typical organization structure and roles and responsibilities of various persons in organizations of entrepreneurial firms I have already covered in the previous sub-chapter, and I will not discuss them again in this sub-chapter. In all, I will use all of these concepts in next chapter of this paper when I analyze the outcome of my empirical study in the light of the theoretical concepts.

Definition of Strategy

I consider it appropriate to review first the definitions of strategy. The strategy can have several definitions as illustrated by Mintzberg's (1994, 23-29) list of definitions. According to that list, the strategy can alternatively be defined as:

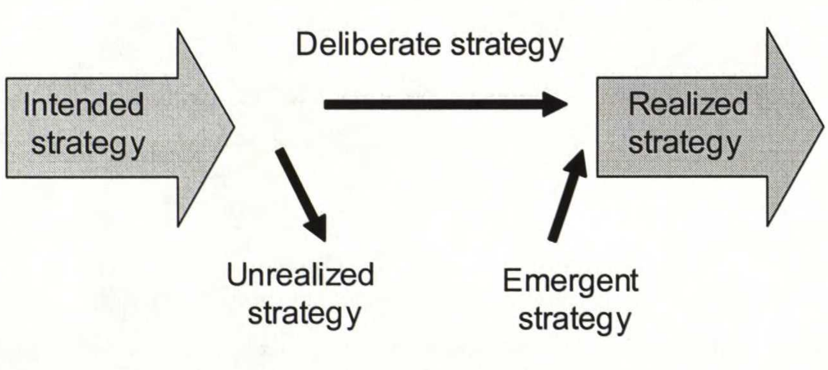
(1) A plan which gives a direction into the future;
(2) A pattern which means consistent behavior over time. In line with this definition the strategy can be intended or realized. Intended strategies become either deliberate or unrealized;
(3) A position which refers to positioning the company's products in the markets in relation to the competitive products;
(4) A perspective which explains how the company does things, i.e. behavioral patterns;
(5) A ploy referring to a specific maneuver intended to beat the competitor.

Quinn (1995, 5-9), who is Mintzberg's and Ghoshal's co-author of the book *The Strategy Process,* defines the strategy as a pattern or as a plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. Quinn says that effective formal strategies must contain three elements: the most important goals to be achieved; the most significant policies; and the major programs. He defines goals as measurable objectives which tell what to achieve and when they are to be achieved. Strategic policies guide the company's overall direction and programs mean step-by-step actions for moving towards the goals.

Ansoff (1984, 31) defines the strategy as a set of decision-making rules which guide organizational behavior in four dimensions. One, strategies are yardsticks for measuring the firm's performance. Two, they are rules for interacting with external environment. In this context strategies deal with products, customers, markets, competitive advantages etc. Three, strategies support establishing internal relations and processes, i.e. organizational concepts. Finally, strategies guide to make and implement consistent day-to-day operative decisions.

Definition of Strategy Process

In their widely cited article *Of Strategies, Deliberate and Emergent* Mintzberg and Waters (1985) explore the complexity of strategy formation processes and introduce the fundamental concepts of deliberate and emergent strategy (see Figure 3.3 below). The authors note that usually strategies are understood as predetermined plans which are results of formal and deliberate strategy-making sessions held by top management of organizations. In that case the strategy process means an analytical process involving setting long-term goals and determining action plans which the organization then diligently implements in practice. The authors call this kind of strategy formation deliberate strategy. On the other hand, strategies can also emerge from the company's day-to-day operations. In that case an organization tries out various ideas in sequence until a new pattern – which can be called the strategy – forms. For example, a sales person may discover an unmet need in a meeting with a customer, which can be the most valuable piece of information from the strategy perspective providing that the company is able to respond to that need on timely basis. The authors have labeled this as an emergent strategy.



Source: Mintzberg and Waters 1985

Figure 3.3 Types of strategies

Mintzberg and Waters (1985) are advocates of the concept of emergent strategy processes because that concept encourages people to learn and to adjust strategies according to accumulating information into the company. That learning can take place anywhere and at anytime. As an additional definition the authors suggest that the emergent strategy-making process is a process in which top management sets broad strategy guidelines (deliberate), but leaves implementation to others in the organization (emergent). In the interplay of these two strategy formation principles neither analytic planning nor intuitive learning and flexibility is ignored.

Mintzberg and Waters (1985, 257-272) highlight three prerequisites for orthodox deliberate strategies as follows. One, all details of the strategy must be predetermined before implementation. Two, everyone in an organization must understand them and behave accordingly. Three, the strategy is implemented exactly according to the plans and no external force has influence on it. They add that implementation of orthodox emergent strategies is rare since it is very difficult to imagine any action without any intention. However, under some circumstances a strategy may form as a pattern from a series of external events. The authors also examine the specific characteristics of entrepreneurial strategy from perspectives of deliberate and emergent strategy concepts. They list major features of the entrepreneurial strategy-making as follows. Intentions of entrepreneurial strategies appear as personal, unarticulated vision of single person, they are adaptable to exploit new opportunities, and they have more deliberate than emergent strategy characteristics.

The authors note that the entrepreneurial strategy process can have attributes of the deliberate strategy because the entrepreneur usually has formed visions and intentions in his or her own head before implementation. On the other hand, the entrepreneurial strategy differs from orthodox planned strategies in a sense that they are flexible. It is easier for the entrepreneur to change the course of actions on individual basis and often in own mind only than it for management of large established firms which have articulated the strategy in writing and communicated it throughout the organization. In their research entrepreneurial strategies have appeared in two studies. In both cases companies have been controlled by aggressive owners who did not hesitate to revise the visions when important aspects of the environment had changed.

Finally, according to the authors a strategist is a person who recognizes patterns, a learner, who manages the process of crafting strategies through both finding and creating them. Furthermore, they want to emphasize intuitive thinking at the cost of formally planning strategies.

Mintzberg's (1987) article *Crafting strategies* provides supplementary input to both Mintzberg's and Waters's (1985) article which I have introduced above and the review of Mintzberg's and Waters's (1982) study within Steinberg Inc. which I introduced in the previous chapter. In the article *Crafting strategies* Mintzberg summarizes overall results of a major longitudinal research which had been conducted in 11 organizations under his supervision. That research had taken place in the 1970's and 1980's and the study at Steinberg had been one of those studies. One of three major objectives of that large research project had been to find out the processes by which strategies form. This particular objective makes Mintzberg's article especially interesting considering the scope of my own study. The other two goals of research had been discovering the interplay of environment, leadership and organization, and a pattern of strategic change. I believe that the results of these goals should also provide some interesting insights into building a theoretical framework for strategy processes. This gives motivation to introduce the key points of Mintzberg's findings in quite detail which I will do in the following paragraphs.

In the article *Crafting strategies* Mintzberg (1987) compares the strategy-making into potter making, in which the potter knows what has worked out in the past and what hasn't, and similarly managers of organizations know the history of their organization. Furthermore, strategy plays the same role for the manager what clay plays for the potter. Mintzberg elaborates the idea which he had presented earlier with Waters by noting that an organization can have a realized strategy as a pattern of actions without consciously knowing it. Mintzberg criticizes structures used for making an intended strategy on the grounds that typically intended strategies are results of such complicated mixture of meetings, debates, dead ends, many people and so on that it is extremely difficult to trace and track a process out of that mess. His conclusion does not, however, reject intended strategies but states that strategies can either be formulated or they can form in response to changes in environment. Mintzberg even says that neither of the approaches is adequate alone because they have their own weaknesses: One, the intended strategy-making, what Mintzberg calls as "hot-house approach" precludes learning which is, however, an essential part of a successful strategy process due to often unpredictable changes in environment. Two, in contrast, the pure emergent strategy-making, called "grass-roots approach" illustrating the importance of learning anywhere, precludes control which cannot be ignored in running business successfully. Therefore, strategy must be both intended and emergent, and they offer two ends of a continuum in which strategies can be formed and amended flexibly.

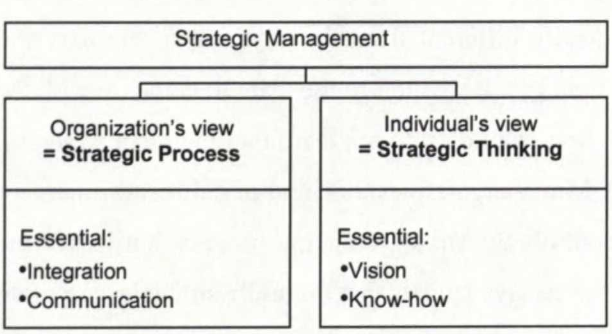
Furthermore, Mintzberg (1987) introduces the concept of umbrella strategy-making in which two approaches are deliberately used for strategy formation. This concept can be illustrated by an example. When Honda designed a new car concept, the top management assigned a team of young engineers to the task and gave only two instructions: prepare a product concept dramatically different from the anything in the past and make the product is inexpensive but not cheap (intended strategy). It was left to the team to come up with the product as they preferred and the team also found out the best solution through learning (emergent strategy). (Nonaka and Takeuchi 1995, cited by Mabey et al. 1998). Mintzberg defines this kind of deliberate emergent approach a process strategy. In that case, management controls the strategy-making process, but leaves the actual contents to others. Mintzberg has discovered in his extensive studies that umbrella strategies are often experienced in organizations which demand high degree of innovation and expertise.

In this strategy-making framework, Mintzberg (1987) views persons responsible for strategy formation as pattern recognizers who manage a process in which strategies both can emerge and can be deliberately formulated. Instead of possessing great analytical capabilities, he views that strategy makers should have a sharp mind to detect discontinuities and an ability to make visions, and to have wisdom to recognize opportunities which the others may miss. Strategy makers should be able to detect emerging patterns and to sense when it is appropriate timing to forming a new strategy and when it is better to stick with the old.

Mintzberg (1994) has later expressed a more critical view on the role of formal strategic planning in entrepreneurial form of organizations in his book and article *The Fall and Rise of Strategic Planning*. He suggests that planning, which typically produces intended strategies, is likely to meet considerable resistance as the entrepreneurial leader may consider formal planning as a threat to his innovative and creative strategic thinking. Instead of planning Mintzberg wants to emphasize the importance of top management's intuition and strategic thinking capability. Mintzberg suggests that top management can still make a good use of analytic planners who are able to complement management's unstructured way of strategic thinking. In his book *Mintzberg on Management* Mintzberg comments that the strategy-making is a process involving more than the planning with which it is often associated (Mintzberg 1989, 25). He refers to the strategy-making process as a collective system when an organization is established, and when it is necessary to revise its basic orientation.

So far I have concentrated on reviewing Mintzberg's contribution into building a theoretical framework for strategy processes. Mintzberg's wealth of experience and knowledge should form a solid basis for building the needed theoretical framework for this paper, but I believe that it is worthwhile reviewing comments for a couple of other authors including Harju and Ohmae regarding the subject.

Harju (1987, 50-51) recognizes the strategy process as a component of strategic management (see Figure 3.4 below). According to his view strategic process, in which integration and communication are considered as essential parts, is the organization's perspective into strategic management whereas individuals contribute into strategic management through strategic thinking.



Source: Harju 1987, 50

Figure 3.4 Two-fold strategic management

Harju (1987, 50-51) has reached a conclusion that strategic decision-making is a cognitive process for individuals. That process is based on the assumption that the manager learns a system which stores, processes and synthesizes information from various sources. The manager's performance is dependent on not only the contents of the framework but also on ability and motivation. Because of these findings Harju encourages management teams to develop a common strategic thinking framework which enables management members to observe the company from a holistic perspective, and to understand the strategy-making both as one-time scheduled activity and as a continuous process. In this perspective I recognize a similarity to Mintzberg's views, which I have introduced earlier in this chapter, on intended and emergent strategy processes. Harju's one-time scheduled activity can be compared to Mintzberg's intended deliberate strategy-making, and Harju's continuous process to Mintzberg's emergent strategy.

Harju (1987, 50-51) reminds that the companies must remember to take industry, culture, and other context specific aspects into consideration. He integrates the model with the customers' purchasing behavior, i.e. the customers' purchasing criteria provides input to strategy process of the company. Probably it is not so important what the model exactly looks like, but it is essential that management has developed such a common model which all members use for their individual strategic thinking.

Similar to Mintzberg and Harju, Ohmae (1983, 78-83) also considers strategic thinking important and says in his book *The Mind of the Strategist* that the strategist must have a broad, open mindset allowing him or her to absorb the information on continuous basis. Ohmae further claims that the strategist thinker must be a perfectionist and that the strategist must practice strategist thinking constantly. Flexibility in thinking increases the changes of success. Furthermore, flexibility encourages to think thoroughly various options and to avoid getting lazy in thinking. Finally, Ohmae claims that timing is vital. The most brilliant strategy will be useless if it fails to take account of the ever-changing trends of the market.

Special characteristics of the strategy-making in entrepreneurial context

In this sub-chapter I will introduce some centric concepts of the strategy-making framework in entrepreneurial context. Based on the literature review I will first cover Mintzberg's et al. (1989; 1998; 1999) ideas in some length. This is then followed by introduction of related models which have been researched and developed by Hart and Banbury (1994), Hitt et al. (2001), Hamel and Prahalad (1990; 1994), Hamel (2000), Bhide (1994), Perry (2001), Ansoff (1984), Collins and Porras (1994) and Watson (1994). I will start with more general views and move on to take a closer look at the role of visions in the entrepreneurial strategy-making environment.

Ten different various approaches to strategic management have been introduced in the book *Strategy Safari* (see Table 3.2 below). The book's authors Mintzberg *et al.* (1998, 124) define one of those approaches as the entrepreneurial strategy-making which means that the strategy formation process is dependent on intuition, judgment, wisdom, experience and insight of the leader. What is typical for the entrepreneurial strategy-making is that the vision and strategy are formed in the head of the leader basically with no input from others in the organization.

Strategy-Making Approach	Strategy formation is done as a/an...	Remarks
The Design School	Process of conception	Popular in the 60's; the strategy process is prescriptive and based on informal design.
The Planning School	Formal process	Popular in the 60-70's; the strategy process is prescriptive and based on formal, systematic planning.
The Positioning School	Analytical process	Popular in the 80's; the strategy process is prescriptive and more concerned about the actual content than the formation process.
The Entrepreneurial School	*Visionary process*	*Popular in the 80-90's; The creation of vision by the great leader. Strategy formation as the process of concept attainment in a person's head.*
The Cognitive School	Mental process	Popular in the 90's. Strategy-formation is based on cognitive psychology of the strategist's mind.
The Learning School	Emergent process	Very popular in the 90's; Strategies emerge in small steps when an organization adapts or "learns".
The Power School	Process of negotiation	Quite popular in the 80-90's; Strategies are formed through negotiation between conflicting group within an organization or by organizations themselves when they confront their external environments.
The Cultural School	Collective process	Popular in the 70's; The strategies are formed through collective and co-operative processes.
The Environmental School	Reactive process	Popular in the 90's; The strategy formation is a reactive process in which initiatives come from external environment.
The Configuration School	Transformation	Very popular in the 90's; This approach integrates and clusters the other approaches depending on the

Source: Mintzberg et al. (1998, 5-7)

Table 3.2 Summary of the strategy-making approaches

Mintzberg and Lampel (1999), who is one of the two Mintzberg's co-authors of the book *Strategy Safari*, have analyzed that book themselves in the article *Reflecting on the strategy process*. The authors provide valuable lessons regarding various strategy-making approaches. In the beginning of the article the authors raise two questions which guide their discussion. They ask whether ten various strategy-making approaches for forming strategies are really radically different or whether they are just different parts of the same strategic making processes. The authors' provide positive answers to both questions in the article. Because Mintzberg's and Lampel's own analytical comments of the entrepreneurial approach are fundamental, I will next discuss in a considerable length the rationale behind their conclusions.

To start with, Mintzberg and Lampel (1999) bring up a significant issue in strategic management from the point of business practitioners, i.e. those managers and leaders who have to actually deal with the complexity of the real world when they make and implement strategies. The authors note that it is important not to take any of the various theoretical approaches too seriously, but to keep an open mind and flexibly use any of them depending on the situation. To succeed in the strategy-making, managers have to keep their mindset open for learning from their experiences and to adjust the strategy-making processes when the situation requires the change. The authors point out that recently new initiatives have been emerging which aim to illustrate integration of the different strategy-making approaches. The authors suggest that "Strategy formation is judgmental designing, intuitive visioning, and emergent learning; it is about transformation as well as perpetuation; it must involve individual cognition and social interaction, cooperative as well as conflictive; it has to include analyzing before and programming after as well as negotiating during; and all this must be in response to what may be a demanding environment."

Furthermore, the authors have also analyzed the position of the entrepreneurial school of strategy formation in comparison to the three prescriptive schools. They comment that "Much like the design school, the entrepreneurial school centered the process on the chief executive; but unlike the design school and opposite from the planning school, it rooted that process in the mysteries of intuition". Mintzberg et al. (1998, 5) classify the Design, Planning and Positioning Schools as prescriptive in a sense that they are "more concerned with how strategies *should* be formed than with how they necessarily *do* form." In the first place the entrepreneurial school shifted strategies from precise designs, plans, or positions to vague visions or broad perspectives, to be seen, in a sense, often through metaphor. This focused the process on particular contexts - start-up, niche, or private ownership, as well as "turnaround" by the forceful leader - although the case was certainly put forth that every organization needs the vision of a creative leader. In this view, however, the leader maintains such close control over implementing his or her formulated vision that the distinction central to the three prescriptive schools begins to break down". In other words, the authors suggest that the entrepreneurial strategy-making is unstructured and mysterious in nature and that it can deployed either in start-up or challenging turnaround phases of the firm. The role of the leader is highlighted in the strategy-making process.

Referring to the results of the study conducted by Hart and Banbury (1994), which I have already introduced earlier in this paper, it is likely that use of several strategy-making approaches is favorable. Mintzberg and Lampel (1999) are making similar suggestions with Hart and Banbury. Although they use different terms for various strategy-making approaches than Mintzberg and Lampel, the results of their empirical study support

Mintzberg's and Lampel's suggestions. Hart and Banbury have found out that it pays off to use variably several strategy-making styles compared to sticking with one approach only. Mintzberg and Lampel conclude that various approaches are not so different that they could not co-exist as managers' alternative strategy-making tools. In general, it seems that various strategy-making approaches are considered more as supplementary with one another.

Moreover, Mintzberg and Lampel (1999) suggest further that key attributes of one approach can be identified in each long-term strategy-making process of a firm. The attributes are dependent on the phase of the firm's life cycle. For instance, the practices typical for the entrepreneurial school are useful in the firm's start-up phase or when it is going through a major transformation. Between those two phases the firm may use some other more appropriate strategy-making approach.

Finally, Mintzberg and Lampel (1999) conclude their discussion by requesting scholars and consultants to pay more attention to the empirical usage of the strategy formation frameworks than redefining them in an isolated fashion in theory. They repeat their important message that people must take a holistic view on interpreting usage of various strategy-making approaches. The strategy formation is a sophisticated and complex phenomenon, but we can improve our capabilities to understand it better when we do not restrict our thinking to any narrow approach.

Ten years earlier Mintzberg (1989) has also compared the entrepreneurial style of strategy-making to drama in which repetition of behaviors (rehearsal of drama) is represented by in-depth knowledge of subject and endless experience; representation (performance of drama) is illustrated by visionary leaders' capability to use language in symbolic form – as metaphor; and assistance (attendance of drama) means that leaders have ability to appeal powerfully to specific constituencies.

Hitt et al. (2001, 480) define strategic entrepreneurship as entrepreneurial action with a strategic perspective. The authors note that strategic entrepreneurship comprises best of two worlds. In other words, entrepreneurial opportunity-seeking behavior at one end and processual strategic advantage-seeking behavior at another end have been integrated into a single approach. The authors suggest that strategic entrepreneurship takes place in several domains including external networks; resources and organizational learning; innovation; and internationalization. Interaction with external stakeholders, such as customers and partners, offers possibilities to learn new skills and know-how as well as opportunities to identify new business opportunities. According to the authors competitive advantages can be created through leveraging resources effectively.

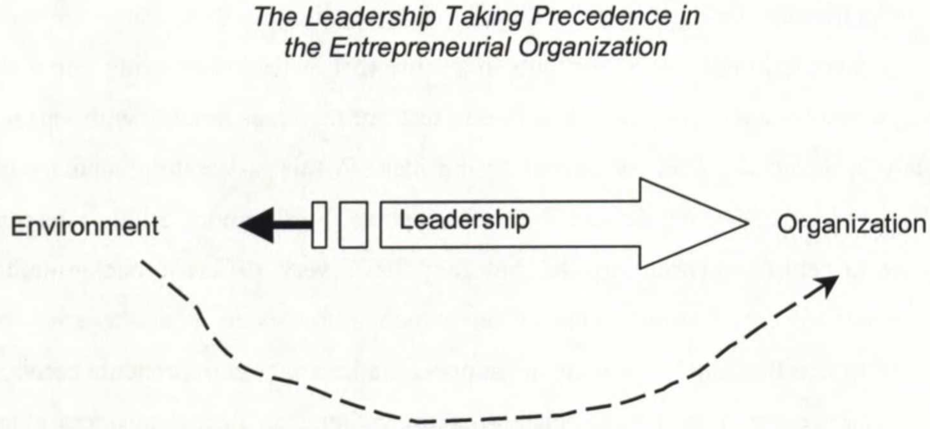
Prahalad and Hamel (1990) are advocates of learning as a source of entrepreneurial spirit. They have suggested that instead of building competitive edges based on product portfolios, the companies reach more lasting and innovative means for competing globally by creating corporate level core competencies. They define core competencies as collective learning in the organization, and remind that core competencies must be nurtured over time because they become obsolete sooner or later due to competition. In addition, Hamel (2000, 101) has suggested that by learning faster than competitors the firm can defend its favorable position in the market. Hamel and Prahalad (1994) have also introduced the concept of unlearning as a facilitator for creating favorable basis for innovation. By unlearning the authors mean that in order to sustain the entrepreneurial spirit and to boost innovation in the firm managers have to make a conscious effort to forget old behaviors, beliefs and thinking patterns. In the case managers of the firm are not capable to unlearn, the likelihood of losing competitiveness in comparison to new entrants, which don't have a burden of old habits, increases.

Bhide (1994) has made conclusions from studies conducted at 500 of the fastest growing private companies in the US. According to Bhide new business ventures should have business plans to succeed and to win confidence of investors, employees and other key stakeholders, even though the statistics indicate that 41% of start-ups have no business plan at all in practice. To outwit the competitors a new start-up must be able to be extremely innovative and the entrepreneurs must spend a lot of time in researching their markets. Bhide describes that typical entrepreneurs are willing to take short cuts in a sense that instead of entering into a in-depth analysis before launching a new business program, they like to test out the ideas quickly with various stakeholders and simultaneously build up the plan for executing the idea. In this task entrepreneurs seek openly opinions and information and look for commitment from other people. Furthermore, Bhide says that according to evidence there is no entrepreneurial profile, but they have very different backgrounds, experiences and skills. Referring to the previous chapter in which I reviewed characteristics of entrepreneurial organizations, we notice that Bhide's comments support the idea that entrepreneurs actively seek information from various sources, prefer informal decision-making rather than formal business plans and that they become from various backgrounds.

However, we should be cautious about accepting Bhide's (1994) suggestion that business plans are not needed in entrepreneurial firms because only few years later Perry (2001) has found out in his research with 500 U.S based small firms that there is a statistically significant relationship between a failure of small company and a missing business plan. Perry has not been able to find reasons why some entrepreneurial firms have nevertheless succeeded without writing a formal business plan, but he suggests that it might be so because in very small firms employing less than five people the leader runs the business by intuition and because of the small size of the company the leader is capable to comprehend and process everything in own head.

Vision is mentioned so frequently in the context of entrepreneurial strategy-making that it deserves some additional discussion also in this paper. Luostarinen (2002) defines vision as an unrealized dream of the future and as a sub-component of strategic planning framework, and he considers it as a supplementary part to strategies. Some other commentators such as Mintzberg (1989), Collins and Porras (1994) and Watson (1994) aim to describe entrepreneurial style as visionary leadership. I will review their views in more detail next.

Mintzberg (1989) has discussed the importance of visions in entrepreneurial firms. According to him, entrepreneurs must have intimate knowledge of their business, and they also should have to a capability to convince others to believe in the visions that they articulate. They must learn all details affecting their businesses in order to succeed in formulating right visions for their firms. Because of centralized power, the leader needs to absorb all necessary information from environment to formulate strategies which are then implemented by others. Mintzberg considers this type of entrepreneurial strategy-making extremely powerful as long as the focus of the firm's business remains simple. When the firm expands into new areas of business which the leader doesn't master problems can be expected, or alternatively the structure of the organization and decision-making processes need to be amended. (Mintzberg 1989, 123-125)



Source: Mintzberg 1989, 128

Figure 3.5 Focus of attention on the leader in entrepreneurial firm

Mintzberg (1989, 128) adds that the entrepreneurship is highly dependent on creation of the strategic vision by the leader. The strategy-making is intentional and deliberate because related thinking and decision-making takes place solely in the head of the leader. On the other hand, if the leader is a good learner, strategies can emerge as result of learning of the entrepreneur. In the entrepreneurial organization (see Figure 3.5 above) the leader has a central position. The leader selects the right niche in environment for the organization which then implements the intended visionary strategy expressed by the leader. The leader alone is responsible for following changes in the environment and changes in it can initiate a change in the vision of the organization.

Ansoff (1984) has offered input into strategy management of entrepreneurial firms from a slightly different angle which also emphasizes the importance to keep the focus on environment and initiate changes when appropriate. According to Ansoff, control management mechanisms become strategic in entrepreneurial firms because of turbulence, discontinuities and changing power alignment among stakeholders in the firm. In this respect entrepreneurial firms have to follow threats and opportunities among economical, technological, social and competitive forces. Internal capability analysis and redefinition of objectives as a result of changes in the firm's environment are also fundamentals of strategy management. (Ansoff 1984, 264-265)

The well-known book *Built to Last – Successful Habits of Visionary Companies* by Collins and Porras (1994, 18) introduces a number of examples how entrepreneurial way of managing has supported creating extremely successful companies. The book aims to find the answer into the question: "What makes the truly exceptional companies different from the other companies?" The authors' answer to the question is simply that the winners deploy visionary style of management. They say that visionary companies have distinguished themselves as a very special and elite breed of institutions. The authors comment that fundamental principles apply over long stretches of time and across a wide range of industries.

Collins and Porras (1994, 201) suggest, however, that "just because a company has a vision statement in no way guarantee that it will become a visionary company! The essence of a visionary company comes in the translation of its core ideology and its own unique drive for progress into the very fabric of the organization – into goals, strategies, tactics, policies, processes, cultural practices, management behaviors…- into everything that the company does". The authors (1994, 235) continue by commenting that "we'd like to emphasize, however, that the basic elements we found to distinguish the visionary companies usually appeared in the companies long before they became hugely successful premier institutions."

Watson (1994) also emphasizes the importance of visions in managing entrepreneurial companies. His views are in line with the idea presented by other authors (e.g. Mintzberg 1989, Collins and Porras 1994) that stubborn implementation of formally determined strategies is not the most effective strategy process approach. In particular, Watson (1994, 16-17) proposes that "we need to manage through broad values and culture, rather than through detailed plans and tight rules, because the world is too unpredictable and ambiguous a place for these latter methods of control be viable … using culture and shared values – work better than traditional tight ones." This is, first because it fits with what human beings are essentially like (meaning-seeking creatures) and second, because it fits with what the world is like (an unpredictable and ambiguous place)". These Watson's findings strengthen the belief that successful companies want to sustain an ability to navigate through both upturns and downturns of business and remain flexible to adapt into unexpected changes in their environment. Referring to the reviews of the earlier studies in the previous chapter, it has been discovered in research of entrepreneurial firms that loose, flexible plans are often more efficient than rigid formal business plans. Especially in high-growth turbulent industries it seems to be a common characteristic for successful companies to maintain creativity and encourage adaptation to reflect changes in the business environment.

4. EMPIRICAL CASE STUDY

4.1. Background

I started this research project by conducting first the empirical study as a case study at Digia which is an entrepreneurial company based in Finland. Digia operates in the mobile software subcontracting business, and I worked as a full-time management team member for the company during the research period. First of all, my objective was to gather such data in the empirical study which would enable me to analyze Digia's strategy-making processes in practice. Furthermore, I wanted to identify who are involved and what roles they play in those processes. Finally, I also wanted to discover what factors in external environment may have an impact on the strategy formulation and implementation of the case company.

Following the empirical study of the project I started reviewing literature dealing with strategic management and among others I read Mintzberg et al.'s (1998) book *Strategy Safari* which summarizes ten various strategy-making frameworks. The book had an impact on developing the most suitable theoretical approach for this study, and as a result of reading it I decided to fine-tune the focus of the research in such a way that I could utilize one of the strategy-making approaches introduced in that book. Eventually, the gathered empirical data and the theoretical framework of this study enabled me to examine how the strategy-making is mainly done through interaction between the Founder and management.

In this chapter I will report my findings primarily from the Founder's and management's perspectives due to the reason that I recognized them playing the most centric roles in the strategy-making processes. Since my aim is to sustain clarity and focus in this research, I will illustrate the voice of management as a homogeneous one although I observed occasionally different views between the management team members in the strategy-making processes. I believe that different viewpoints are welcome inside management anyway, and since the specific objective of this research was to investigate the interaction between the Founder and management in the strategy-making, not between management team members, this simplification should be justified. However, I will pinpoint individual members of the management team in this chapter when it is appropriate in relation to some specific tasks undertaken by them in the strategy-making processes.

4.2. Research Methodologies

In this sub-chapter I will introduce those research methods in general terms which I used in this study. In particular, I will review the means for gathering the data in the field study, and the approach I deployed for analyzing the gathered empirical data.

In general, researchers can use either quantitative or qualitative methods for collecting data. According to Richardson et al. (1996, 161), some people view these approaches to be in conflict whereas the others think that the choice is a matter of taste or personal preference. There are some similarities between the methods, e.g. in relation to stating a purpose, posing a problem or developing a time frame. However, how researchers approach these details make the methods different. In quantitative research objectivity is the most important matter to assess causal explanations and predictability through objective portrayal; whereas in qualitative research the purpose is to explain phenomena in complex social environment through empathic understanding, personal involvement. Quantitative research begins with hypotheses and theories; whereas qualitative research ends with hypotheses and grounded theory (Glesne and Peshkin 1992, 5-7).

Qualitative research material means usually text. The material can be produced either by the researcher or it can available for the researcher upfront. The researcher may gather the data by various interviews and observations. In addition the researcher may also utilize diaries, biographies, letters, and other data which has originally been gathered for some other purposes (Eskola and Suoranta 2000, 15).

The participative observation data gathering research method means that the researcher is personally involved in that social environment in which he or she is making observations for the research. The role of the researcher in environment can be either passive or active. In the case of passive observations, the researcher makes observations as an outsider. The objects of the research may or may not be aware of the researcher. Alternatively the participative observation method can be active and in that case the researcher actively participates in activities of the social group in which the research data is gathered. (Eskola and Suoranta 2000, 98-99). This method is the best for explaining what happens in environment. In comparison, surveys and interviews, which are other often used qualitative data gathering methods, are better for exploring what target persons think, feel and believe about environment. The sort-coming of these methods is that they don't reveal what actually happens in environment. (Hirsjärvi et al. 2000, 199)

I gathered the empirical data as a case study at the entrepreneurial firm by using the active participant observation method. In line with the method my most important source of qualitative data was personal observations at the company regarding the interaction between management and the Founder in relation to the strategy-making. In addition I gathered supportive data from my personal notes, email correspondence and informal interviews with management and the Founder. This phase of the project took place between May 2001 and May 2002. In this study the active participative observation method was particularly convenient and effective due to my full-time employment and the role as a management team member at the company during the study.

In addition to the observations, I had an opportunity to interview the Founder and other members of management. The unstructured interviews offered me some valuable additional insights regarding the strategy-making at the company. They also helped me to understand more deeply how the interaction between the Founder and management shapes the strategy-making. In other words, thanks to important support from my colleagues I have been able to implement a more subjective view from the target of the research compared to a situation in which the research results would have been based on my personal objective views only. Nevertheless, I would like to emphasize that management of the case company works as a team, and in particular in this research the objective is to highlight the interaction between the Founder and management. Finally, apart from observations and interviews I had an opportunity to review my email which the Founder and management have been using for correspondence during the period of the empirical data gathering phase of my project as well as my notes and minutes of meetings to build an understanding of the strategy process.

During the study I have learned the challenge of overcoming the dilemma with objectivity, and I have made a conscious effort to be as subjective as possible in my approach to the gathered data. Thereby, I have tried to distinguish my own thoughts, actions and behavior from the target of the case study. In relation to objectivity, reliability and validity are also important aspects to consider in qualitative research (Uusitalo 2001, 84-86). Reliability means the degree of repeatability of research results, i.e. it is a question of avoiding ad hoc results which would happen only once. In my study I tried to gain reliability by extending the field study phase to 12 months.

Validity concerns how well the research sticks with the intended objectives, i.e. it is a question whether we are really researching the planned phenomena or something else. Although validity is not usually discussed in qualitative research, nevertheless theoretical and empirical definitions need to be connected with each other. (Hirsjärvi et al. 2000, 213-215) In this study, I have tried to understand and explain empirical observations in the light of the theoretical framework which I have introduced earlier in the paper and which is based on my literature review.

The data analysis can be considered as a culmination of any scientific study. In that task the researcher can put own thinking into full use. According to Glesne and Peshkin (1992, 127), the qualitative research data analysis involves organizing data, creating explanations, posing hypotheses, developing theories and linking the results of a study with other studies. This requires categorizing, synthesizing, searching for patterns and interpreting the collected data. Furthermore, they say that an early data analysis enables the researcher to shape the study as it proceeds. In later phases of the analysis, the researcher develops a coding scheme, categorizes, sorts and defines the dispersed data from observation notes, interview transcripts, memos, documents and notes into meaningful classes of data (Glesne and Peshkin 1992, 133).

In this study I have categorized my research results based on various strategies which have been formed at the case company during the data gathering phase of the study. The Founder and management have cooperated to craft those strategies, but the Founder's role in strategy-making processes has been different depending on the strategy due to his personal strengths. I will present the results of the empirical study in two phases in the following sub-chapters. I will first introduce the case company and the Founder as an entrepreneur which should help to understand how his personal characteristics, traits and behavior may affect his cooperation with management in the strategy-making process. I will then introduce the processes of three functional strategies and one company level strategy. The analysis of the observations in the light of the theoretical framework will follow in next chapter of this paper.

4.3. Observations from the empirical study

Introduction

In this sub-chapter I will report several observations from the empirical study. I will first review Digia's corporate profile and the company's some important historical milestones. I will then introduce management of the company followed by description of the Founder's profile. A good understanding of the Founder is essential because of this role in the company. Furthermore, I will review how visions are formed in the company and how various strategies are shaped through interaction between the Founder and management. I will do all this by reflecting my observations at the company during 2001-2002.

Digia Corporate Profile

According to the company's marketing collateral, Digia designs and develops Symbian™ OS based software for smart phone manufacturers world-wide. Digia utilizes its extensive experience and technology competence in helping smart phone manufacturers to create and bring their products into the market on time and cost efficiently.

Developing software for an advanced smart phone means low-level embedded software design as well as high-level application development. Interoperability, differentiation and attractive end-user experiences require design and development efforts that Digia is able to provide through out the whole software architecture.

Digia supplies for its customers product creation services that consist of specifications, design, implementation, integration, testing and maintenance of released software. Digia has a capability to develop everything that is needed in new mobile devices starting from base porting to user interface customization. In addition to services Digia supplies training, technology and software components – all according to specific demands of its customers.

Digia's focus is solely on Symbian based technologies – the smart phone operating system which is supported by all major players in the mobile community. The company is able to provide its clients with expertise that makes their products, the mobile phones, successful. Digia works to build a wireless future with its investors, including Bayview 2000, Cisco Systems, Eqvitec Partners, General Electric, Intel, Investor AB, Sonera, and Sony.

Finally, as the leading Symbian Competence Center, Digia specializes in developing software for Symbian OS phones and works in close relationships with Symbian and Symbian OS licensees. Digia operates also as a Symbian Training Partner offering advanced training and consulting services to Symbian OS developer community.

Some of Digia's Historic Milestones

Because the knowledge of Digia's past strategy-making helps the reader to put the current strategy-making practices into a perspective, I will briefly review some important historical milestones of the company regarding visions and the strategy formation.

Digia was founded in January 1997. The company's original business idea was to design and implement new media solutions in Finland and expand gradually to foreign markets. Although the company succeeded in creating a strong market position in the domestic new-media market, the Founder realized that the selected scope of business was not to become successful on the long-run, and consequently his mind was open for new fresh business ideas. Transformation towards the mobile communications industry commenced in spring 1999 when the Founder and his company Digia were offered an opportunity to undertake a major Symbian OS related software development project for its lead customer as a subcontractor. An important step towards the future was taken as the project was kicked off.

Simultaneously the company had started attracting interest among venture capitalists and in summer 1999 Sonera Corporation and Eqvitec Partners made their first investments on Digia's first financing round. As a result of these investments the company started receiving some professional guidance for its strategy process from the representatives of the investors who belonged to the Board of Directors. In autumn 1999 Digia acquired a software company called Verkonmerkki in Lappeenranta which is a university city in the Eastern Finland.

Another important milestone was the recruitment of a seasoned executive as Digia's new CEO in fall 1999. The Founder stepped side and became the Chairman of the Board. The new CEO brought in professional management capabilities and extensive experience in venture capital markets. One of his key tasks was to plan and manage Digia's second financing round in 2000. When the second financing round was being prepared in the year 2000 the CEO's, the Founder's and other management team members' resources were inadequate to run the actual operations of the company during the year. Management's focus was completely in the due diligence processes made by eight different law firms on behalf of more than 70 potential investors. Operative decisions were made on ad-hoc basis and according to one management team member that the company was in chaos at that time.

The work on the second financing round paid off, however, and as a result the company received 35 million Euros from eight investors in December 2000. What was interesting in this round was not only the significant amount of the raised funds, but also the profile of the international investors considering relatively limited awareness of Digia, risks associated with Symbian related projects, as well as the current state of affairs in the company at the time of the financing round. It has been evaluated by the company's management afterwards that the investors, who included many new players in wireless communications industry, wanted to create an access to new technologies and know-how in the market. According to current VP of Operations, those investors did not trust the future of web based business and they considered it worthwhile to invest in a company which had potential to become successful in the emerging business of Symbian OS related markets. The Board of Directors of the company was amended with representatives from new investors.

In fall 2000 the company recruited an experienced manager as VP of Product Development who started building and organizing an engineering department at the company. He also initiated software development processes which started to evolve quickly under his management, although he left the company already in summer of 2001. In the early 2001 Digia acquired another software company called Nexim based in Oulu which is a university city in the Northern Finland. Nexim employed about 30 software engineers at that time and it had already started developing an application for Symbian OS based communicators.

Introducing Management

I believe that the policies, procedures and practices which are used for forming the strategies depend largely on know-how, background and personalities of those people who belong to management of the company. Therefore, I consider it worthwhile introducing profiles of Digia's management team members. I would like to emphasize that profiles are based on my subjective observations, and that my intention is to highlight especially such personal characteristics of each person which have an impact on formulating the company's strategy.

In addition to the management team, the Founder of the company has had a very important role in the strategy-making at Digia. His current job title "Chief Strategist" illustrates his day-to-day role at the company, and a Chairman of the Board he has also a formal role to guide the strategy-making process in cooperation with the CEO and other Directors of the Board. I will introduce his personal profile in more detail.

Management Team

During my research period Digia's senior management team consisted of seven people: The CEO, the CFO and five VPs responsible for various functional areas.

- CEO joined Digia in April 2001. He is a former CTO of a domestic mobile operator and a former CTO of a major IT services company. He also has held sales and marketing positions in the past, and thereby he has accumulated a wealth of experience in both technical and business related functions. Although he hasn't lived abroad, he has needed skills to work in international environment. He typically looks at business matters from a holistic perspective, but is able to associate details from the company's operations into the industry landscape. His responsibility is to run the company by using the management team as means of planning and implementing strategies and business plans. He doesn't hesitate to revise organizational structures and strategies to reflect changes in environment.

- Vice President of Customer Projects is a former development manager of a Finnish IT company and his responsibility is to run the customer project organization. His background also includes work in a start-up firm which had developed software on subcontracting basis. He doesn't have very much experience in working in an international environment. He is rather risk-averse and he takes care of resource planning and management of customer projects, and manages project managers and participates actively in generating new projects for the company. In strategy formulation he brings in valuable down-to-earth insights from the company's capabilities in terms of engineering resources, and forecasts new revenue streams from existing customers which has an impact on strategies.

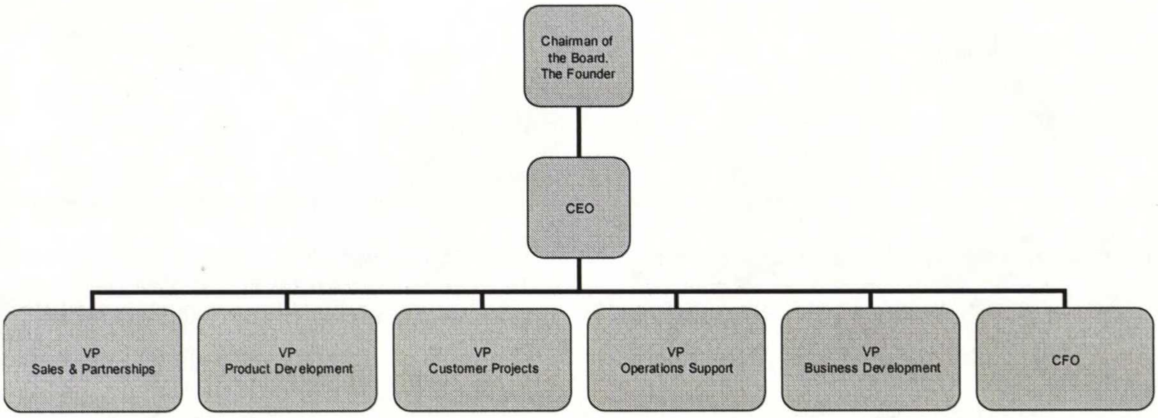
- Vice President of Product Development joined Digia in August 2001 after resignation of the person who had joined the company in 2000. He is a former software development director at Nokia and brings in a lot of experience in development of software for Symbian OS phones. He has also a fair amount international experience including a two-year assignment to Dallas, the U.S. His role has been to design and implement the company's product strategy and to manage of Digia's own product development.

- Vice President of Sales & Partnerships brings in sales & marketing and international business experience into the company. He has previously worked as a manager for a major IT services company in Finland, the United Kingdom and Japan and for a Finnish mobile software start-up. At Digia he has been responsible for sales, marketing and partnership strategy formulation and implementation.

- Chief Financial Officer is the most seasoned member of management of the company and has worked for Digia since early 2000. He has wide experience in financial aspects of running companies and looks after all financial planning and controlling aspects at Digia. He is actively involved in strategic management at the company from a financial perspective, and carries a demanding job in controlling that the company meets agreed financial objectives.

- Vice President of Operational Support is one of the founders of a company acquired by Digia in summer 2000. His key responsibility areas cover process development and operational support including IT infrastructure. Similar to Vice President of Customer Projects his role has been to keep the management's feet on the ground what it comes to strategy formulation and business planning.

- Vice President of Business Development joined Digia in October 2001. She has worked previously for a mobile operator in venture capital tasks and has gained skills in business and corporate development. She has also worked some experience in working abroad. Her key task in strategy formulation has been collecting, analyzing and presenting data from internal and external sources.



Source: Digia Corporate Presentation 2001

Figure 4.1 Digia's management team 2001-2002

Building team spirit at the management team

Team spirit is a significant contributor to any successful co-operation between people working together. It cannot be ignored either when the members of management are planning strategies. Digia's CEO organized a team building event for management in January 2002 in order to develop smooth cooperation between the members of the team. The timing was important in respect that the CEO, the Founder and management had clarified and agreed about each other's roles shortly before the team-building event took place and the company's business strategy had been formed for 2002. The event's main objectives were to strengthen a sense of affinity and to help management members to get know each other better. This two-day event was held off-site in Tuusula outside of Helsinki and it was chaired by an external consultant.

The event included some useful sessions such as a cross-evaluation of colleagues in which we prepared together a profile for everyone in the management team. In another assignment we evaluated management's work policies and practices, agendas etc. and we also agreed revised working orders for management meetings. At the end of the event we had produced a plan for the first half of the year 2002. The plan included dates and times for management team meetings that were held every other week. The topic for these meetings was alternatively either planning or decision-making. This can be considered as a positive outcome since these decisions were planned and agreed together. As a result, everyone should have been committed into the agreed meeting plans.

Finally, the team-building event included informal sauna and buffet-type dinner in the evening of the first day, which offered an opportunity to get to know each other better and to develop further the team spirit.

Profile of the Founder

Prologue

It is late afternoon on one day in early January 2002. We have just finished a meeting at our office with some quests from Singapore. The Founder and I are in a hurry because another important kick-off meeting has been going on with a Nordic customer in a hotel in Helsinki. Our colleagues have been hosting that meeting from the morning, and the Founder and I are due to join at 4 p.m. We jump into our cars and drive quickly from the office to the hotel both recognizing the importance being on time at the meeting with customers and the time constraint which we're already facing. I follow the Founder into the garage of the hotel, park next to him and jump out from my car. On the way to the elevators we pass the car wash service area and the Founder asks whether I have any Finnish marks left by any chance. I have my last 100 Finnish mark note in my wallet and hand it over to the Founder, who then requests an operator of the hotel's car wash service to clean up his luxurious, but dirty car standing on the other side of the garage.

When we are running to the elevator, the Founder comments that he wants to take our customer to the airport after the meeting and that he believes it would make a better impression if the car was clean. I nod and smile in acceptance. In the reception we ask for directions to the meeting room in which the meeting with the customer has been running the whole day. Just when we are leaving the front desk the Founder turns around and asks the receptionist to call to the car wash service and to fill in the windscreen cleaner with water. The sole focus of my own thinking has been, since we finished the previous meeting, in our customer, and therefore I find it surprising that the Founder is able to make the best use of every second and think further ahead of the meeting although he is in the same process with me.

We enter the meeting room right on the scheduled time. There are three gentlemen representing the customer and two of our colleagues in the room. The Founder is dressed up in a dark suit, a blue shirt and a tie and a pair of well polished shoes which is a must for him when he has meetings with investors, customers and other related important stakeholders. He greets the customer's representatives, chats and then delivers his convincing corporate presentation. He builds the confidence by telling the level of return on investment he wants the customer to have when dealing with us. A couple of hours later we close the meeting, and since there are another two hours before our quests' flight takes off, the Founder decides on the spot to suggest drinks in a bar nearby. Our two colleagues and quests walk out from the hotel whereas the Founder and I pull out the cars from the garage to pick up the others into the cars outside of the hotel. We drive a couple of miles to the bar and offer the suggested drinks to the quests. The Founder keeps the spirit of the discussion high in the bar until it is time to leave. The Founder takes the customer's representatives to the airport as planned.

In the following morning he reports what the customer had mentioned about the car: "Wow, your company must be very successful. Otherwise you would not be driving a car like that!" The trick had worked and the customer had got their first impression on Digia. The talks with the prospect proceeded following the kick-off meeting and a few weeks later we signed the first deal with them.

The episode above highlights several personal characteristics and social skills of the Founder. The Founder is a devil with the details which is illustrated by his way to dress and by his ability to think beyond the current moment even when in a great hurry. His social skills are demonstrated by his desire to treat the quests with beers after the meeting and to take them to the airport in person instead of calling a taxi for them. The Founder radiated self-confidence throughout the meeting which helps him to make people to trust him and the company.

Biography of the Founder

The Founder of Digia is a 41-year third generation entrepreneur who lives in Helsinki with wife and three young children. The Founder is Digia's Chairman of the Board and he holds a job title "Chief Strategist" in the company's organization. He works full-time for the company, and he is recognized as the company's spiritual leader. The Founder is a key contributor in setting a direction for the company, and he has a dual role in the strategy-making process: He participates actively in the formation phase of strategies as the Chief Strategist and as the Chairman of the Board he has the authority to have a strong influence on accepting or rejecting the strategies.

The Founder is the largest shareowner of the company owning about 30% of the stock. He actively reviews and analyzes the industry landscape in which Digia operates, and thereby he contributes in making sure that Digia navigates correctly in the markets. Recognizing the scope of Digia's business in the high-technology field, it is interesting that his background is not in any kind of engineering but in journalism. Previously he has started several other companies in media business, and he still owns 100% of Comma Finland, which is a successful publisher of magazines (e.g. LomaSuomi), and 70% of Mainonnantekijät, which is a successful advertising agency based in the Eastern Finland. He founded Digia in January 1997 as a new media company, but in 1998-2001 the company was gradually transformed into development of mobile software for mobile phone manufacturers. As leisure time activity the Founder has a passion for fishing.

The Founder as Strategic Thinker

The Founder is clearly a strategic thinker and he is eager to communicate his conclusions from unfolding events in the markets to management. I consider it important to illustrate this feature in the Founder's personality with some practical examples because it seems to have a strong impact on the strategy-making process. The examples illustrate how the Founder gathers and processes information from various sources (e.g. customers, media, industry events or visiting government officials).

In 2001 when a VP of one major US based electronics contract manufacturer was visiting Helsinki and requested to have a meeting with us via a venture capital firm he was speculating why the VP is in Europe in the first place. He said that "my sophisticated guess is that the visit has to do something with reorganization of production of one Tier 1 mobile manufacturer in the near future". As a result he wanted to give the first Digia Tsunami, or Digia's corporate introduction, to the visiting VP. That also happened with the following scheme. First, the Founder provided a formal corporate presentation. Second, we continued the discussion in a Finnish sauna in the heart of Helsinki, followed by a business dinner is a traditional fine restaurant. Interestingly, the Founder made plans and reservations for the sauna and the dinner before the meeting. He was anticipating the meeting turn out excellently which also happened. Third, the Founder continued entertaining the guest until a night club was closed at 4 a.m. This way the Founder had really seized the opportunity to get to establish a rapport with the VP, to ensure that the VP will remember Digia if and when his company makes a move to the smart phone sector, and probably most importantly, to gather market information.

Around that time when the meeting, which I just described above, took place we were widely discussing whether electronics contract manufacturers would start designing, developing and manufacturing mobile phones by themselves and thereby moving up in the industry value chain. We considered that if that was to happen Digia should qualify as an ideal candidate to partner with for electronics contract manufacturers, due to our wealth of expertise in designing and developing software for Symbian OS based phones. In that sense, the episode also illustrated the Founder's typical behavior to his plans into action when the opportunity appears.

The scenario building is an activity in which the Founder is often engaged in doing. On the return flight from one industry event which had been held in Singapore, the Founder was charged with enthusiasm, and he suggested a following scenario to a top executive of Digia's customer sitting next to him.

> Let's make Singapore an Asian wireless showcase for both companies
> Let's force the local operators to use our customer's platforms with support from the local government
> Let's establish a local Symbian Competence Center into Singapore. This venture would be partially funded by the local government
> Let's make Singapore Digia's Asian hub for entering greater China
> Let's synchronize our software development with the customer's platform development and optimize business models to us
>
> Source: An email message from the Founder to management August 9, 2001

I was interested in the Founder's suggestion and incorporated his initiative as a potential opportunity into Digia's sales targets. However, a couple of key people who had been working in the company for a long time thought that the whole idea was ridiculous and explained the company had enough bad experience with working in government sponsored projects. Regardless of this mixed support, the Founder suggested also a practical action plan which generated a follow-up meeting with one VP of the customer. The suggested scenario itself did not lead to anywhere, but the meeting with this VP paved partially our way into co-operation with the customer in another strategic area of the company.

My analysis of this episode is that the Founder had probably made an unrealistic proposal with very limited chance of success, but as result the company was able to build an access to another top executive with the lead customer who soon turned out to be a valuable contact person in making a strategic move in another important business area.

Apart from customers and industry events the Founder uses also media as a source of strategic thinking. As a former journalist the Founder seems to have a heart-to-heart relationship with media and he is still an avid reader of magazines and newspapers. Deploying his intensive reading habits in meaningful ways the Founder follows development of affairs not only in the mobile communications industry but also from more general political and economic perspectives. For instance, in October 2001 it was announced in public that Siemens and Motorola, two leading players in mobile communications industry, are negotiating about a deal how to merge their development of network infrastructure and mobile phones. The news was supplemented with a breakdown of market shares by 3G infrastructure providers as follows:

Ericsson 41%
Nokia 24%
Siemens-NEC 13%
Nortel 10%
Motorola 4%
Alcatel-Fujitsu 4%
Lucent 4%

Source: Companies, Global Mobile, FIM, 2001

The Founder expressed his own conclusions from the data, analyzed the data from Digia's point of view and suggested a strategic action for the company as follows (translations by the author): "My guess is that those companies having less than 10% market share will disappear during on-coming two years. The role of those players is worthless and it means good-byes to Nortel, Motorola, Alcatel-Fujitsu and Lucent. Discontinuance point in this context means that that there is no business for them after that point…I guess that a subsequent outcome of this speculation is that Siemens will focus on networks and Motorola to terminals. The reason why Siemens is reluctant to move on in Symbian front is very likely the on-coming collaboration with

Motorola. This means that we have to fight like crazy for entering into a customer relationship with Motorola!"

Much later in 2002 he commented one piece of the industry news as follows: "I have been thinking for a long time that Nokia will use sourcing of components as means of negotiation in promoting their software platform to the prospects comprising major mobile phone manufacturers". These news regarding Siemens and Motorola, and Nokia are a couple of examples how the Founder interprets the information from media, makes his own conclusions from them in relation to Digia's strategies, and then openly shares the information with others.

The Founder's opportunistic mindset was demonstrated well when the company had an opportunity to meet a potential partner which could support Digia's possible expansion to overseas. This happened when one government official from France was visiting Digia and the Founder commented that Sophia Antipolis (locates in the Southern France) could be an ideal place for Digia's branch office. He reasoned that that it could handle semiconductor related co-operation and low-level software development because of good availability of related engineering resources in the area. Simultaneously, he also immediately linked the discussion into the announcement from Motorola-ST Microelectronics-Philips regarding a total investment of USD 1.5 billion into joint semiconductor development which he had distributed a week earlier to management. This example demonstrates the Founder's ability to quickly connect information from various sources.

The Founder's suggestions regarding establishing the company's Asian hub into Singapore, which I introduced earlier, is another example of the Founder's strategic thinking. During 2002 the Founder discovered emerging opportunities in China and he wanted to assess them in person. After returning from a journey he said that for an entrepreneur China is a dream land, and explained that he had identified enormous amount of business opportunities on his journey. The Founder was involved also in evaluating an opportunity to acquire a small software company based in the US. Finally, when Digia was offered a possibility to meet one Finnish mobile communications technology provider, which had started business in Italy, the Founder suggested that in an ideal case collaboration with that company could result into mobile portal cooperation in the area of richest population in the Southern Europe.

According to the Founder (2003), there is a major difference in thinking between him as an entrepreneur and investors and the rest of the organization. He claims that entrepreneurship is something that becomes in genes, and that it really cannot be learned. He adds that whereas he thinks, behaves and works as an entrepreneur and is responsible for the continuance of the company, an average staff member enters the company each day and delivers his or her contribution in line with a predetermined process and a job description.

The Founder's Interpersonal Skills

I trust that I have already illustrated the Founder's strong social skills especially when he has been dealing with the customers. The examples include the customer meeting in the hotel which I introduced in the prologue; his Singapore related proposals which helped to strengthen the relationship with the lead customer; and his actions with the visiting VP from the US. In addition, there are three of other important examples in relation to the Founder's social skills which are worth of introducing in this context. One of them is the Founder's relationship with the investors. Another example illustrates the Founder's behavior when it is time to boost the confidence of the staff to the selected direction. The final example is an episode in a meeting with a senior executive of the lead customer.

In the interview (2002) the Founder explained that the funds which had been generated on the second financing round are closely personified to him. In other words, the investors trust that the Founder will direct the funds correctly based on his judgment and in this way he controls the funds on behalf of the investors. The Founder's view is that he sits on the same side of the table, and that he is a representative of the investors, a trusted man, in Digia's organization. Digia's organization is the Founder's and investors joint means of production. The Founder has used effectively his social skills in building trust towards him among the investors.

The fall of 2001 was full of uncertainty about the future in the markets and the terrorist acts fueled the feelings of insecurity. At that time it was unclear whether Digia had selected the right strategy in terms of developing software solely for Symbian platform. It was late September 2001 when the Founder decided to boost the self-confidence and visited together with the CEO an executive vice president of Digia's lead customer. On the following morning the Founder sent an email message in which he reported the findings to management. The bottom line of his message was that if the Symbian does not become the most proliferate OS in mobile phones the EVP and the Founder will be finished with their careers. This illustrated the Founder's role to make people to believe in the selected strategy.

In one meeting with the lead customer the Founder was making a corporate presentation to a senior executive of that customer in their head-office. The Founder had barely finished his first slide in which he talked about our commitment and determination to develop software only for Symbian devices when the senior executive of the customer interrupted the Founder. The senior executive crossed his fingers and commented a smile on his face: "I am very sorry about interrupting, but this sounds really good and I believe that we have a basis for a very tight partnership! Sorry, please go on…" This comment set the relaxed and positive tone for the rest of the meeting and the Founder kept the spirit up. We had received an important buy-in and acceptance from the senior executive for expanding the collaboration with us, and during next year we almost doubled the sales with this lead customer. Although the quality of the work done by Digia's engineering organization is extremely important in building the credibility with the customers, the Founder has the capability to develop it further thanks to his superior social skills. I think it is important to keep the Founder's social skills in mind when I explain Digia's strategy-making processes later in this chapter.

Strategy-Making in Practise

In the following sub-chapters I will introduce how Digia's Founder and management together have been making strategies for the company. I have categorized the interaction into separate parts for the reason that the Founder's personality, behavior and strengths have had impact on his contribution in the strategy-making processes depending on the strategy. I will first review how the vision has been set for the company by the Founder. I will then discuss and analyze how interaction between the Founder and management takes place in making strategies for product development, sales and partnerships, and mergers & acquisitions. Finally, I will review the interaction between the Founder and management for creating the business strategy for the year 2002.

Setting the Vision

At Digia I observed that the Founder is the key person in defining the direction for the company and communicating it to others. To enable the company's moves towards the selected direction Digia needs financial resources. This important pre-requisite has also been taken care of by the Founder together with the former CEO in the year 2000. I will introduce these two critical milestones, setting the vision and gaining the needed funds, in more detail in this sub-chapter as follows: (1) In spring 1999 the Founder had made a decision to accept a request from the lead customer to undertake a major software development subcontracting project for the customer's future smart phones; and (2) The Founder and the former CEO had planned, implemented and completed the second financing round successfully in 2000. The former of these incidents meant setting a new direction for the company, which has later served as a basis for the strategy-making process. The latter fulfilled a crucial need to finance own product development and growth which were important ingredients for the future strategy-making processes.

The Founder has a significant impact on how Digia's strategies are formulated. In this task the Founder has played a most significant role during the 5-year history of the company. Initially, the Founder had identified emerging opportunities in new media related business in the mid 90's, and he had founded the company in January 1997 in order to exploit those growing opportunities. I think that the Founder's extensive background in journalism and media business had had a major impact when he had decided to enter that emerging industry. The Founder had been deploying his wealth of know-how in the media industry which is a typical user of the Internet technology and not a creator of it. Using his own strengths and personal relations the Founder had been able to position Digia quickly as a pioneering forerunner new media company in Finland, and it had started implementing new media solutions to a great variety of Finnish companies and public organizations.

Similarly, the Founder had set a new direction for the company's transition towards the wireless communications industry. This had happened when he had decided to seize the opportunity offered by the lead customer in spring 1999. On behalf of his company the Founder had decided that Digia would undertake a long-term project in developing software for the lead customer's future smart phones based on a new operating system. I heard the Founder telling the same story several times how he had reached the important decision to accept the offer, and thereby setting a new direction for the company. The Founder says that he had made this decision on his personal family trip to Sweden during the Easter 2000 when he had been on a ferry between Helsinki and Stockholm. He had locked himself up into a cabin on the ferry and asked himself what would be the best for his company. He had been wondering whether the company would have the guts and a needed desire to accept an offer for undertaking a project of which outcome would not be visible until three years later. His decision had been positive and three years later in 2002, the results indicated that he had made a right visionary decision because the new operating system was quickly becoming more popular among mobile phone manufacturers.

Another important milestone for developing own products had been reached already in December 2000 when Digia had completed the second financing round generating 35 million Euros. In line with the terms and conditions with the investors the company had been planning to use a portion of the funds into own product development. These investments had been expected on the long term to offer a return on investment when the markets for Digia's own products would grow.

I was not working for the company during the second financing round, and consequently I do not have personal experience how the interaction between the Founder and management had been influencing the outcome of the round. However, based on the comments which I heard afterwards from various people and the interview with one management team member, who already had been working for the company at the time of the second financing round, the most of the work had been done in cooperation between the Founder and the former CEO. The former CEO who had resigned the company in March 2001 had been a charismatic leader with a broad vision with a capability to think strategically. In addition, he had had a lot of experience with venture capital markets which had been essential for organizing and implementing the financing round successfully under challenging market conditions. I can easily imagine the influence of the Founder and the former CEO on the potential investors. Winning the confidence of such large investors, which at the time of the investment had included the world's four largest companies by their market value, had not been an easy task, but the two gentlemen with the support from other management members and lawyers, had succeeded to accomplish a critical task regarding the future of the company.

In conclusion, the Founder had set the new direction for the company based on his intuition and visionary thinking. It seems that no other people had been involved in that decision-making process. Finally, the successful second financing round had offered needed financial resources for own product development and expansion of the company. Although the strategic decisions for entering into development on software for the mobile phone manufacturers had been done individually by the Founder, and even if it seems that the roles of the Founder and the former CEO had been centric during the second round of financing, the strategy-making at Digia is done through active interaction between the Founder and management. I will discuss that co-operation in the following sub-chapters.

Forming the Product Development Strategy

In this sub-chapter I will review the work which the Founder and management undertook related to forming the product development strategy for the company in 2001-2002. The related strategy-making process was kicked off in April 2001 and after major workload the company finalized the needed strategy in spring 2002. However, the CEO eventually suggested to the Board of Directors that the once already accepted strategy should be cancelled. Consequently, the company also withdrew its resources from own product development. From the analytical perspective the end-result is not relevant, but the strategy-making process which led to the final decision by the company. Therefore, keeping in mind the objectives of this study, it is interesting to review the empirical incidents of that process.

Before the strategy-making process for forming Digia's product development strategy was started by the Founder and management, one fundamental strategic decision had already been made earlier. This was a decision to start developing software for Symbian OS phones in 1999 as a subcontractor. Furthermore, ignoring some opportunistic informal discussions between the Founder, management and some stakeholders during uncertain market conditions in 2001, the company decided to focus solely on developing software for Symbian OS phones. Most importantly the company was determined to develop own products for those mobile phones of which operating system the company's engineers were already familiar with.

Thanks to subcontracting work which had lasted a couple of years between 1999-2001, the company had needed basic engineering competencies for developing products, but it had to be determined first which products the company's target markets would demand. So, in spring 2001 the Founder and management wanted to assess what own applications, technologies and solutions it should start developing for Symbian OS smart phones, which were expected to start shipping during that year. In order to come up with the strategy the Founder and management organized a series of five workshops in order to formulate the needed product development strategy. Each workshop had a predetermined theme as follows:

(1) Envisioning the future regarding application software markets for smart phones;
(2) Understanding end-user needs and mobile communications usage drivers;
(3) Drawing conclusions from the previous stages;
(4) Selecting the strategy for Digia based on earlier findings about the markets and end-users; and
(5) Summarizing everything in a SWOT analysis.

In addition to the Founder and management some other Digia's key technical people were involved in these workshops. The outcome of these workshops was the initial product development strategy which included developing applications for three areas: Mobile Rich Messaging, Distributed Asset Management and

Enabling Technologies. The deployed strategy-making process was as follows. Planning and decisions were made through involvement from different organizational levels and the results were based on consensus between the Founder, management and some other key employees of the company. However, development of the product development strategy was iterated several times following the completion of the workshops in spring 2001 and the purpose for iterations was to clarify several points in the strategy.

Regarding Mobile Rich Messaging, my conclusion is that the Founder's close relationship with the influential former executive of the lead customer, and his current formal role as the technical advisor of Digia had a tremendous impact for the strategy-making process. This executive had a good understanding of trends in the industry, and thereby he was able to feed invaluable input into the strategy-making. Both the Founder and management were engaged in discussions with the technical advisor when the decision-making was on-going.

In addition the Founder was playing a role in the product development strategy-making by actively promoting Digia as a provider of the Instant Messaging (IM) client to all key players of the whole industry including three leading mobile phone manufacturers and Symbian. For instance, in mid-June 2001, only two weeks after the decision had been reached to develop that client software, the Founder informed that he had initiated high-level talks on the matter with Symbian and that the aim would be to get the IM client licensed to the manufacturers as a de-facto standard offering this partner. He was thrilled about the idea and commented that "if we play this game right we really can start making waves instead of just surfing!"

Development of the IM client was commenced during the summer and by the autumn the company had a prototype of the product available for demonstrations. It is unfortunate that the needed demand for the product did not emerge as the company desired. To conclude the discussion on the IM client it is still worth mentioning that the Founder's determination in selected strategy emerged in the process. After two prospects had been lost the Founder sent an email to the management as well as the product management and the development teams in which he strongly encouraged to continue development of the product. He added that the channel strategy should be changed. Consequently, Digia continued developing the product and eventually the company launched the IM client as a semi-product four months later in the 3GSM World Congress in Cannes, France.

Another product in which the interaction between the Founder and management was evident was a product which is code named as Galileo. This product belongs to the Distributed Asset Management area, and it had originated from a project which was terminated by the customer because of their lack of funds and amended strategy. The deal with this customer had been initiated by the Founder through his role in sales. That had happened before I joined the company. When the customer eventually decided to withdraw the project in late spring 2001, management requested the Founder to contact the customer and to obtain all immaterial rights to the semi-product. This had an impact on the product development strategy which enabled Digia to continue development of Galileo and to promote it to other customers.

The Founder had been a key person in the decision-making process when the company had acquired an Oulu-based company called Nexim in the early 2001. Nexim had been developing Symbian based application for personal navigation which added Digia's interest towards the company. After the acquisition Digia continued developing the product and launched it with the company's partner in the 3GSM World Congress in February 2002.

Forming a product development strategy for designing and implementing products for a market which barely exists is a really demanding task. We realized after we had finished the workshops described earlier in this sub-chapter. Although both the Founder and management had been pleased with the outcome of the workshops, we soon understood that implementing the strategy was difficult. Several subsequent revisions to the strategy followed, but no major breakthrough was discovered. We were uncertain about the future demand of the products which we had decided to develop. Because the market for the Symbian OS based smart mobile phones was still in an early phase in 2002, it was hard to determine which would become killer third party applications for those phones.

Eventually in March 2002 VP Product Development and VP Business Development authored a document which summarized both Digia's current products as well as new products which the company was planning to develop. The document encapsulated everything which management and the Founder had been planning in various meetings and workshops during the previous fall and on-going spring, and which had been recorded on separate documents and presentations over a period of several months. Looking back, it had been an incremental process in which a series of product development strategy workshops and other related meetings were held from spring 2001. Once we had initially decided the three application areas VP Product Development elaborated the strategies separately for individual products until in March 2002 VP Product Development and VP Business Development collected the processed plans into one single document called "Digia's Product Development Strategy".

The dialogue between the Founder and management regarding own products continued after the CEO had formally submitted the product development strategy to the Board of Directors for acceptance. Following the favorable decision by the Board of Directors the CEO decided to suggest cancellation of the plan when he estimated that by allocating the company's scarce engineering resources rather into customer projects than into own product development, Digia would be able to achieve more effectively its financial goals in 2002. The Board of Directors accepted the proposal for canceling the plan.

In summary, I have illustrated in this sub-chapter how the Founder and management interacted to shape the product development strategy for Digia. Whereas the Founder had set the vision alone, the process for determining the product development strategy was far more complex and took a lot of time to complete. The Founder had a duplicate role as the Chief Strategist in the planning phase and as the Chairman of the Board in the subsequent decision-making phase. In his role as the Chief Strategist he used his understanding of the markets and strong personal relationships with the company's stakeholders for making valuable contribution when management was brainstorming ideas for products to be developed. What makes the Founder's input interesting is the lack of his formal education in engineering, practical experience in mobile communications technology and also in the strategy-making processes. In his other role as the Chairman of the Board, the Founder had a voting right for approving the product development strategy (as any other strategy as well) which was formally proposed by management and introduced to the Board by the CEO. The company has been open for absorbing information from external sources for internal strategy decision-making process.

Making the Sales and Partnerships Strategies

The Sales and Partnership Strategy for 2001

Because of his personal motivation, strengths, contacts and active role in customer and partner facing roles the Founder had a significant impact on forming the company's sales and partnerships strategies, and the interaction was intense and frequent with management in this task. When I joined the company as VP of Sales and Partnerships in spring 2001 and started drafting the needed sales and partnerships strategy the Founder was my major source of information. In my opinion he had the best overall understanding of the company's mission and goals as the principal owner and as a key sales person at the company. When I was authoring the first draft, I derived information for it also from the corporate business plan, from meetings which I attended as well as various documents and a couple of seminars. After I had authored the draft, I then submitted it for comments to the Founder, management and sales team members. The document included business objectives, the sales and partnerships strategy, and the tactics (an action plan for sales activities) for the second half of 2001.

The interaction with the Founder had a particular meaning in a sense that he was strongly advocating an idea of offering one-stop-solution to the company's customers. In Digia's case one-stop-solution would have included five services: design, implementation, integration, testing and maintaining all application software needed in smart phones on a behalf of the mobile phone manufacturing customers. Before I had joined the company the Founder had already concluded that Digia had capabilities to become a central player in the Symbian related mobile communications industry community. His determination on this was fueled by a belief that white labels, i.e. electronics contract manufacturer companies, will start designing and developing smart phones and selling them to operators and verticals under the customers' brand names.

The Founder's idea was that in this eco-system Digia would act as a neutral sales channel and integrator for application and technology providers to the leading mobile phone manufacturers. Consequently, it was a key success factor to establish partnerships with a number of these types of firms, and to obtain sublicensing rights for their products. The Founder was actively promoting this side of the strategy also to our customers and other stakeholders, and thereby seeking confirmation for the selected direction by Digia. For instance, in one important industry and partner event in London at the end of May 2001, the Founder was extremely active in match-making potential partners with management to support realization of the strategy. Following that event we evaluated a large number of application and technology companies which had potential to become our partners.

> Digia's main objectives for sales & partnerships during 2H01 are to generate budgeted revenues, to build an adequate sales funnel, and to establish partnerships with application developers, technology providers, white labels, semiconductor firms and infrastructure companies.
>
> Digia needs to generate new sales revenues to fulfill the budgeted cash inflows in 2H01. These revenues will mainly be generated from product creation services from WID manufacturers, but selling training services and applications mean also a significant revenue source for Digia. Finally, Digia aims to generate revenues from sharing revenues from Symbian OS licensing and selling partners' SW.
>
> Source: Digia's Sales & Partnerships Strategy in 2001

Some parts of the sales and partnerships strategy were implemented during the summer of 2001, but because the markets did not evolve as we had expected and there were more alternative providers for several key technologies than we were able to evaluate, we took some corrective actions around the end of October. We noticed that Digia's target market, which at the time consisted of prospected smart phone manufacturers, was evolving too slowly and they were either postponing or canceling altogether new smart phone development programs.

Consequently, our strategy in building a one-stop-solution for Symbian operations to smart phone manufacturers was not valid any longer. This prompted us in dropping out an intention to establish reseller agreements for third party software and decided not to seek opportunities to port third party applications from various other operating systems into Symbian OS which is a core of Digia's engineering know-how. The Founder agreed with conclusions which management had made and we started looking for a more appropriate basis for the sales and partnerships strategy.

Hamel (2000) suggests in his book *Leading the Revolution* that the best place to create new business is with existing customers. Applying this rule of thumb at Digia meant that I started thinking in what way Digia could exploit most effectively its lead customer relationship which the company had been building several years. I discussed this subject frequently with the Founder, management and the sales team in order to reveal those areas in cooperation with the lead customer which we could utilize. I summarized various alternatives into one presentation slide, and when a new, unexpected opportunity emerged from this relationship we immediately knew what we had to do. I believe that since we had already adjusted our thinking correctly we were very receptive to identify the opportunity. I explain this opportunity, which is related to the lead customer's decision to start selling a software platform, in the following sub-chapter.

The Sales and Partnership Strategy for 2002

An important impetus for Digia's strategy-making process emerged from the company's external environment when the lead customer decided to make its software platform developed for Symbian OS available to its competitors. This was the platform which Digia had been developing on subcontracting basis for the customer the past three years. The Founder and management realized right away a window of opportunity in relation to potential customers for the platform. The Founder visualized a big picture with both the lead and other customers, and he presented his ideas on a flipchart to management on one day early October 2001.

On the graph, which the Founder drew on the flipchart, he positioned Digia into a central point between several mobile phone manufacturers and the lead customer, and called Digia as "Switzerland of the wireless open mobile software development". This comment demonstrated a desirable neutral zone between Digia's lead customer and its competitors. Digia's purpose was to make its independent services and the platform specific competencies available to any smart phone manufacturer who would decide to license the software platform from the lead customer. This business idea was considered worth pursuing, and shortly after few additional internal discussions we started assessing the people who we should talk to at the lead customer. The Founder and management discussed and planned on daily basis what actions we should take next. White boards and flip charts were under heavy use at Digia at that time. Eventually we decided to approach all key people whom we knew to have influence on the matter, and consequently we organized a series of meetings with the key people of the lead customer in October 2001.

We had high-level meetings with the lead customer and their top executives seemed to become convinced about Digia's role as a reliable supplier. In presentations we demonstrated our focus, commitment and trust towards developing smart phones based on favorable operating system. We emphasized that Digia is a company not hedging its bets between several operating system candidates which aimed to become the de facto standard, but was determined about the success of Symbian OS. Although the outcome of these meetings varied in some extent, it was clear that we were making progress. The lead customer seemed to trust what we had explained to them.

In November 2001, only two days after the lead customer's announcement in Comdex, Digia published a press release saying that the company is the world's first Competence Center for the newly announced software platform. The press release was done after acceptance from the lead customer and it also included a quote from a senior manager. This was also a basis for Digia's sales strategy in 2002 which had been formed through interaction internally between the Founder and management and externally with the lead customer.

In December 2001 when the management team and the Founder were having a Christmas lunch together in a restaurant nearby the company's offices the Founder introduced his view on how to build Digia forward during on-coming year. His model, which he supported by handing out copies of a sheet of paper highlighting the cornerstones of his suggested strategy, was based on four principles: In 2002 Digia would develop and sell own software; sell own engineering and training services; sell 3rd party software and sell the lead partner's software platforms. Although management listened to the Founder, obviously management considered only one of the principles as feasible for implementation. Management had already decided that only selling own engineering and training services in 2002 would be possible. Implementation of other three would have required such investments which were not feasible to undertake due to the tight budget. The disagreement was quiet because Christmas holiday was coming up or no-one wanted to confront the Founder or for a reason that the management team wanted to have time for digesting the suggestion. On the other hand, this was another example from incidents in the strategy-making process in which the Founder in his Chief Strategist role makes a suggestion which is then evaluated by management.

Whereas in 2001 we had evaluated a wide spectrum of business opportunities, management perception regarding the feasibility to exploit those opportunities in 2002 was low. Because the financial target for the company was to break even in 2002, one activity item which we had to take at the end of the year 2001 was rightsizing. We had to let some people go and this had also an impact on the sales team. With fewer resources available for sales and marketing efforts, we had to choose our target customers also more selectively. Consequently we felt necessary to focus more and management authored a draft of the sales strategy based on the constraints set by the budget. At that stage we had ruled out some markets which we decided not to penetrate into including the US, China, and APAC. In addition, we decided to put the mobile operator and vertical segments on hold and to focus on the mobile phone manufacturer segment only.

We figured out that current customers would accrue most of our budgeted revenues in 2002, but that we would definitely need some new customers for ensuring the growth in 2003. On one afternoon in January, right after the lunch we made an important decision in an ad-hoc meeting between the Founder, the CEO, and me. In that meeting we agreed that we would target at five leading mobile phone manufacturers and would evaluate the results at the end of first quarter and would then make possible needed corrections if needed. We also decided who would be a primary contact for each customer.

In January 2002 we also identified three key partners who we would need for building our business. One of them was the lead customer who was the provider of its own software platform for its competitors. Another partner was a major company dominating the world's DSP market, and it was in an ideal position to enhance our overall credibility among our target customers. Finally, the third partner was Symbian, the provider of Symbian OS.

Digia's marketing director formulated the company's marketing communications strategy during March-December 2001 in a separate process. In that work he collaborated with one well-respected marketing communications agency in Finland. Since I was formally responsible for the marketing function from the beginning of 2002, I had an authority to integrate marketing efforts to serve the company's sales efforts more effectively. The objective was to fine-tune the marketing communications strategy so that it would fit well together with the sales strategy.

We felt that we had made important decisions in making a focused sales strategy for developing new customer relationships and partnerships as well as ruling out several business opportunities which we didn't find worthwhile executing in 2002. The interaction between the Founder and management had been active and we felt that the dialogue between him and management had had a positive effect on the strategy-making process.

To summarize Digia's sales and partnerships strategy for 2002 it was driven by (1) the budget in 2002 for establishing new customer relationships, and (2) tentative sales revenue targets for the following year to ensure a desirable growth rate. In 2002 Digia's sales strategy was to generate budgeted sales revenues from current clients and limited number of new customers simultaneously keeping a tight cost control. The Founder had again been interacting with management from two dimensions in reaching these goals. In one hand, he is the Chairman of the Board and has thereby a formal authority to either accept or reject the suggested budgets which had been prepared by management. On the other had, the Founder was a key person to contribute in planning and implement the sales strategy in his day-to-day sales role in the company.

During the early spring 2002 cooperation continued with the key partners who also participated as sponsoring partners at Digia's yacht at the 3GSM World Congress which is the largest annual industry exhibition in Europe. The event was successful for Digia and it provided a major boost for developing Digia's business throughout 2002.

Making the Growth Strategy

Digia has pursued a long-term growth strategy which in practice has meant both organic increase of personnel and mergers and acquisitions (M&A). What I found out very interesting in my empirical study was the roles and responsibilities which the Founder and management have played in each of these growth strategies. Whereas management has mainly been responsible for planning and implementing organic growth in terms of recruiting new engineers to the company, the Founder has orchestrated evaluation and execution of acquisitions. The main reason for acquisitions has been a need to increase engineering resources.

The interaction between the Founder and management has been active both in formal and informal settings in relation to the growth strategy-making. Increasing the resource base has not been the only reason for planned acquisitions. In addition, the company has been planning to continue making additional acquisitions in order to expand its product portfolio and to increase its international capabilities to serve a larger customer base more effectively. The Founder's role has been critical in executing this side of the business strategy, and the topic has raised a lot of discussions between the Founder and management. It has been difficult to determine for them which type of companies should acquired if any in relation to gaining access to IPRs and patented technology and products.

Possible mergers and acquisitions

Realization of Digia's long-term vision would require additional M&A transactions for two reasons. One is a need to acquire additional competencies and products, and another is a need to move closer to the international customers by establishing local presence outside Finland. Because M&A transactions typically involve a lot of risk, analysis of targeted companies must be done carefully. In addition, acquired companies can have a major impact on the direction of the acquiring company. Recognizing these important aspects several acquisition opportunities were evaluated by the Founder and management during my field study. The Founder played a centric role when evaluation of the emerging opportunities was conducted, but also the CEO was active when he requested one consulting firm to scan possible M&A targets during 2001. As a result of all evaluations one opportunity led into execution of the M&A transaction in September 2001. In that case, Digia acquired one R&D site from the lead customer.

In autumn 2001 the Founder developed a skeleton of a business model in which Digia was positioned in a central role between user-interface framework software providers and handset manufacturers. The rationale behind this model, which the Founder frequently drew and presented on flipcharts and white boards, was that Digia could be considered as a neutral zone, which any manufacturer can trust. The Founder and management discussed the model also with user-interface software platform providers and also negotiated various models for implementing the model in practice. Although the company was engaged in serious DD talks with those partners, the Founder and management finally decided to cancel the plan for making additional acquisitions due to high risks. Digia started, however, partnering with the lead customer closely related to this business idea. I already introduced the process, which led to that partnership, earlier in this chapter.

In general, the process of evaluating acquisition targets illustrated the Founder's spirit and the leading role in the evaluation projects. For instance, when Digia was offered a chance to acquire one business unit of Digia's key strategic partner's operations, the Founder commented that even if the deal was not to take place, we would still be better off because of increased understanding of the partner's strategy and plans. He commented that "we have a chance to collect a lot of information about the market through the due diligence (DD) process which would not be possible by any other means. So, regardless of the final decision in any case we would be better off!"

Consequently, he assigned management and some other key people to gather information from the potential target through interviewing and evaluating the material which had been submitted to him. The areas of expertise covered technology, HR, finance and sales. The Founder himself participated most of the negotiations as well and didn't hesitate to collect vital information from outside of the company either which had a fundamental impact on the appeal of executing the deal. The Founder, who was a chief negotiator on Digia's side and requested the rest of the DD team to submit reports from findings to him and Digia's CEO, did not follow any particular scheme in the DD process. He used more his basic intuition than rational and structured procedure in gathering the information. He even formed the DD team based on his personal judgment regarding who would be relevant people to work with him in the process, and did not think about the official structure of the organization. This had unfortunately resulted in grief among those key people including even one management team member who were not involved in DD work and who later found out what had been going on. I would like to emphasize that based on my judgment the Founder had absolutely no intention to make anyone angry, but just to get the mission accomplished.

Making the Business Strategy for 2002

The Founder's role

Before management started making the business strategy and the operative business plan for the on-coming financial year in late fall 2001, management and the Founder clarified the Founder's operational roles and responsibilities beyond his formal role as the Chairman of the Board. I believe it is essential to review the background for this and what happened since those clarifications had a major impact on interaction between management and the Founder in the subsequent strategy-making process at the company.

I have already illustrated earlier in the results of the study that the Founder of Digia has strong personality, entrepreneurial mind-set and he has definitely played a key role in setting the direction for the company. His has had a dominating role at the company's leadership, but during 2001 this started to create some degree of conflict with management and confusion with staff, and there were even mixed understanding who is actually running the company, i.e. is it the CEO or the Founder. The Founder had still been attending the management team meetings even though he had not been a member of that team for a long time. His behavior as an entrepreneur made things even more difficult when he continued making operative decisions, e.g. recruiting new key employees and taking actions in relation to marketing communications without formal discussion with management and its acceptance for the issues it was responsible for. I believe that this was due to the Founder's entrepreneurial behavioral patterns, i.e. he was still acting in line with his former position as the President and CEO of the company and his intentions were only good. In other words, he did not deliberately cause hard feelings among management and confusion in the company. When this sensitive issue was brought up the Founder agreed the problem and was willing to openly cooperate to solve it.

So, having recognized mutually this dilemma with the Founder, we discussed it thoroughly and decided to clarify his roles and responsibilities in daily operations including his input in the strategy-making process. The CEO communicated to personnel of the company that the CEO runs the company with the help from the management team and that the Founder would not be involved directly in the work of management any longer. At the end of 2001 the Founder's role was redefined as a member of the sales team responsible for creating new customer relationships and few months later his job title was finally changed to be the Chief Strategist which describes his role the best in day-to-day activities at the company. The Founder's role as the Chairman of the Board remained unchanged.

Having executed the above mentioned clarifications in his roles and responsibilities, the Founder did not participate in formal strategy and business planning meetings with management. The interaction continued, but it took place under different circumstances. Whereas in the past the Founder had been leading strategy discussions with management, from now on his role was to contribute in the strategy-making process by gathering and processing critical market information from external sources. The Founder made this information readily available for management orally and via email. In other words, whereas in the past there was a single domain of craftsmen making strategies, the Founder and management together, from now on this was divided into two parts: Management was responsible for planning and implementing the strategies, and the Founder's role as the Chief Strategist was to collect and process information for strategy formation by management. In addition, as the Chairman of the Board the Founder has an authority and opportunity to either vote for acceptance or rejection of strategy proposals suggested by management to the Board of Directors, and also to influence other decision-makers based on his desires. Before moving on describing the strategy-making process of management in relation to forming a business strategy for the on-coming year, I would like to bring up one example how the Founder was making a contribution into that process.

As I have mentioned earlier in this report, the Founder is very likely Digia's most active reader and analyzer of market information and he makes his own judgments from the information on continuous basis. For instance, he realized first a threat of Microsoft (please see a news clip below) and he was actively speculating what actions Digia's lead customer would execute to counter attack Microsoft's moves. He identified Digia's business potential in a shadow of the lead customer when this customer had decided to eliminate the Microsoft threat for fragmenting the mobile services and applications markets and to ensure the realization of the new market for third party software developers. As an invaluable input into the strategy process of forming the business strategy the Founder stated to management that Digia has an opportunity to create an unfair competitive advantage by leveraging its role and experience in developing the software platform owned by the lead customer. The Founder also utilized his personal contacts with the lead customer to discuss the feasibility of strengthening the relationship to reduce the threat caused by Microsoft. As result, management incorporated the input from the Founder into the related the strategy-making process.

> Over the past two years, Microsoft Corp. has been working on a smart phone solution development project, currently code-named Stinger. The company plans to combine the best of the PDA and the best of the phone to create a platform to keep people intelligently connected — whether by voice, e-mail or other means — any time, anywhere. The Microsoft® smart phone solution will offer users current personal information and e-mail as well as robust Web-browsing capabilities. The platform will include a Web browser that supports HTML, WAP (WML) and XML formats.
>
> The Microsoft smart phone platform is one part of Microsoft's end-to-end wireless solution, which includes client software, back-end servers and end-user services. On its own, the Microsoft smart phone platform will be the best in class in delivering the applications end users want and the performance they expect in a great smart phone. When coupled with Microsoft back-end servers and services, the Microsoft smart phone platform will be a critical component that allows network operators and

corporate customers to realize the power of mobile services and Internet access. And because the Microsoft smart phone platform will be just that — a true platform — third parties will be able to utilize Microsoft tools and familiar development environments to deliver innovative products and services.

Source: Microsoft Website Fall, 2001

Management Making the Business Strategy

Since the business outlook looked very uncertain in 2002, management realized that Digia's success on that year was expected to be heavily dependent on cooperation with the lead customer when it started planning the respective business strategy in fall 2001. This conclusion encouraged management to discuss frequently with the Founder regarding how to exploit as effectively as possible the lead customer's moves in the industry and what actions Digia should undertake to strengthen the relationship with that customer. Management gathered a wealth of information, including both oral and email input from the Founder for preparing the strategic SWOT analysis before forming the actual strategy.

Management identified two drivers for the business strategy in the early phase of the related strategy-making process. Firstly, profitability became number one key driver in formulating Digia's business strategy. Secondly, the other supportive key driver was a need to develop own products based on expectations by investors. After initial discussions with management and the Board of Directors the CEO declared the main goal that Digia should reach a cash positive position in its operational activities during the financial year 2002. To achieve that goal meant that management should first forecast expected realistic sales revenues from subcontracting and then adjust cost budgets accordingly. At the company's business level budget some net cash burn would be accepted due to investments in own product development. These financial objectives, which were accepted by the management and the Board of Directors, established a guideline for drafting the business strategy for 2002.

As soon as management had identified the key drivers the budgeting process was a starting point for business planning in fall 2001. In particular, management first estimated the forecast for sales revenues using a conservative approach which meant that the sales budget was based on achieving deals of which probability would be very high. Management excluded all wishful thinking from sales budgets, and ignored all those sales revenues which the company wanted to generate, but which looked uncertain because of limited information about the future of Symbian OS based mobile phone markets. This approach was quite a change compared to the previous year when, according to the CFO, the initial budget was overoptimistic. Initially the company was expected to grow more than 600% within one year.

Another internal key element in the strategy planning for 2002 was the product development plan. Although the company had decided the focus areas for own product development during 2001, the plan was too general. The product development strategy identified focus areas for applications including mobile rich messaging, distributed asset management and ubiquitous computing, but there was still a vague idea what specific applications should be developed, when and how. Therefore, it was necessary to make detailed time-schedules and plans for developing the products.

I will next summarize the decision-making process which led to formulation of Digia's business strategy for 2002 based on the two key drivers, profitability and product development plans, which I have introduced above. I will also highlight some interesting internal incidents as well as external events that happened during the decision-making process which affected the outcome of the process in a considerable manner.

Regarding the external events, based on my observations I have concluded that Digia's strategies are affected by the environment in which the company operates. Since Digia focuses solely on development of software for Symbian OS phones, the company's strategies are subject to a number of factors. They include for instance Symbian Ltd.'s success in terms of convincing mobile phone manufacturers to use Symbian OS instead of some competitive offering (e.g. Microsoft's smart phone OS); a number of Symbian licensees developing Symbian OS phones; strategies of competitors; and mobile operators' desire to utilize openness of Symbian OS associated with their need to differentiate their services just to name a few. To illustrate how environment has had an impact on creating strategies at Digia, I will review again the lead customer's launch of the software platform (from Digia's perspective) and the specific market information which Digia gathered during the first quarter of 2002 in its correspondence with the customers.

Kicking off the strategy-making process

After the overall financial targets had been set and accepted together by management and approved by the Board of Directors, the CEO kicked off the actual business strategy-making process in October 2001 by establishing a working group of five people from the management team. The CEO assigned this group, which included VP Business Development, CFO, VP Customer Projects, VP Product Development and VP Sales & Partnerships, to come up with a formal analysis of the business outlook and suggestions how Digia could reach its two important goals related to profitability and development of own products during 2002. The working group was administrated by VP Business Development, who was responsible for interviewing those key persons at the company who has best insights to Digia's markets, analyzing the data, forming conclusions, and finally making suggestions what Digia should do, when and how in order to achieve its targets. The outcome of this work was documented into a report titled "Digia Action Plan for 2002" which essentially became a written format for the business strategy. Another important part of the strategy-making process was preparation the budget for 2002. The CFO was a responsible for the budget-making process and this process ran parallel with the business planning process. A continuous feedback loop between the two processes, business planning and budgeting, was essential to ensure the integrity between the Action Plan and the budget.

In the first phase of the business planning the VP Business Development and the CFO had one-to-one meetings with other management members and all 20 Digia's cost-center owners. VP Business Development interviewed management members and collected market data information for preparing a basis for joint industrial landscape discussion. This discussion was a critical task as management wanted to make sure that the company would have as precise understanding and forecast of the relevant market environment as it was possible. In this respect it was essential to predict, for instance, how many Symbian licensees would develop and launch Symbian OS phones during 2002, how many of them would undertake projects in which Digia could support as well as how many Symbian OS phones would be shipped during the year. These were essential questions to be answered for as the responses would determine what resources should be allocated for customer projects and product development. The forecast would also help to plan sales and marketing activities correctly in 2002.

The outcome of this exercise gave additional confidence about the uncertainty about how the markets would evolve during 2002. Since management recognized only one additional potential customer in the mobile phone OEM sector during the process, it had to incorporate mobile operators as an alternative target segment. Nevertheless, management decided to focus at also several other OEMs and to find out their plans and possible needs for Digia's offering during the first quarter of 2002. In regard to qualifying an adequate customer base for own products management concluded that a critical mass is 10 million units of Symbian OS phones whereas analysts estimated that less than 0.5 million Symbian OS phones had been delivered by the end of 2001. In other words another 9.5 million would be need to be shipped so that the market would be large enough for making own product business reasonable.

Simultaneously when the VP Business Development was analyzing the market situation, the CFO collected information from cost-centre owners for the cost budget, and subsequently he made recommendations how the suggested cost budgets should be revised to fit together with sales revenue forecasts. This task was a tedious one for the CFO as he had to conduct up to 20 interviews at the company within 10 days. The ultimate goal of this first round of assessing cost estimates was to come up with a total cost structure which was then revised so that it would be in line with estimated revenues in 2002.

As I have mentioned above the budgeting was done in parallel with business planning during October-December 2001. Eventually when it had completed the ground work in two parallel processes management merged the collected information and came up with some conclusions regarding the forecast and the estimated cost structure. Management found out in this exercise that there is a significant discrepancy between expected sales revenues and estimated costs during on-coming year, and consequently it concluded that it should start planning how to revise the cost structure. Management decided to run another series of workshops to discuss the dilemma in detail, to draw conclusions and to make decisions.

Workshops for creating the strategy

Management decided to run the series of four strategy-making workshops in November-December 2001 in order to share and analyze the information which had been gathered by the VP Business Development and the CFO, and to plan together what actions management should take in the company so that the set objectives would be achieved. At this point the CEO also joined the business strategy team of five people which I have mentioned earlier. In the strategy workshops management used the document "Action Plan" as a discussion paper which had been prepared by the VP Business Development during the process of her interviews with the other planning team members. The Action Plan included information about Digia's markets, products, customers, competitors and also suggested some options which Digia would have available to meet its main budget objective in 2002. Obviously, the first draft of the budget was another important source of information when management started the workshops.

In the first two workshops management discussed a competitive market environment and envisioned the industry landscape for the company. Management commenced the workshops with these topics because it wanted to make sure first that it has a common understanding of the market as well as the company's opportunities and threats in the market. This was necessary because management believed that it would find more effectively a consensus for actions if there was a shared a view of the company's business opportunities. In this part management concluded that the Symbian OS phone market had been delayed for various reasons by 18 months. During summer and autumn the uncertainty had increased in the mobile communications markets when OEMs wanted to put off projects aiming at developing 2.5G and 3G phones as result of mobile operators cutting down investments and delaying introduction of 2.5G and 3G services. OEMs were also scaling down their forecasts for shipped devices in 2002 and well-known unfortunate events on September 11, 2001 in New York only increased the uncertainty in the markets. Many companies banned traveling because of fear and management also cut down the amount of travel. As a result of the joint analysis of the company's business environment, management agreed that the company would need to be overly careful about forecasts, and the company should prepare for the worst case scenario which would mean a continuing slow development of the markets. Because of this reasoning Digia faced a challenge to adjust its own resources and business planning to match slowing evolution of the markets.

Management knew that unless it didn't revise the cost structure it would not be possible for the company to achieve profitability in its customer services business and breakeven point in overall operational activities. Consequently, management identified a number of ways to cut operational expenses including costs associated with traveling, incentive schemes, participating marketing events, lending out office space, canceling outsourcing work (e.g. marketing communications, market research), closing an office in London where one salesperson was working and letting some people to leave the company. Management also faced some facts in the markets based on its collective observations and experiences in dealing with various customers and prospects. This passionate commitment to cut costs was interesting considering that the company was financially stable and there was room for some risk-taking. Turning the operations into a cash positive position required that everyone had to become cost conscious and revenues had to be estimated in a conservative way. At the end of 2001 the CEO summarized this by commenting that “let’s live as we had only a buck in a bank”. I believe that this comment helped to shape attitudes in a way which are beneficial also in the future when the company’s business grows and the goal is to sustain profitability.

In the third workshop management reviewed all product concepts that it had developed in the company, and it started prioritizing resource allocation for developing those products further. An interesting point here is that the product development strategy had been based on intuition what might be needed in the markets in sometime soon, and very little marketing research was conducted. Consequently, various product concepts were being developed for different market segments which would lead into inefficient use of sales resource allocation if the company was not careful.

Leading by example – taking the strategy seriously

Before moving on with the strategy-making process for formation of the business strategy, I will next illustrate some evidence how management’s strategy work started influencing people’s behavior. As I have explained earlier Digia’s financial objective was set to reach a break even point in operational business in 2002. The objective was considered very challenging, but not unreasonable if everyone really committed into it. It required a disciplined cost management which was obvious for everyone, but implementation caused some initial difficulties. I will next highlight a couple of incidents which illustrate what practical issues can be faced in putting plans into action.

On one day in late 2001 I visited our Pori site, which we had acquired from Nokia Mobile Phones a couple of months earlier, together with three colleagues. On the way back to Helsinki, I learned a lesson when the colleagues started criticizing strongly discrepancies which they had experienced between a need to implement tight cost control and loose investment policies in practice. The colleagues criticized that the company is wasting money by making new recruitments on ad-hoc basis, offering Christmas presents to customers which are out of budget and committing into expensive customer events in foreign countries. I tried to calm my colleagues down, but simultaneously I noticed a need to lead by example in this respect and to be very conscious about investments and expenses by anyone at the company.

Another interesting episode related to formation of the business strategy took place in early November. I believe that this incident was critical in a sense that it helped everyone to realize how seriously management members wanted to start implementing the strategy and to achieve the profitability goal. The incident had it roots in recruiting a new senior employee to the company on rather loose conditions at the same time when management of the company had started planning right-sizing the company. The whole issue burst into flames during a house-warming event of new facilities in one of the company's branch offices when two management members had a closed meeting in the middle of the party. On the following day three management members were about to resign as a result of the incident, but luckily the issue was resolved successfully.

The immediate business strategy implementation continued also otherwise when we closed an office in London which we had opened only two months earlier, cleared one floor at our head-office for renting, cancelled participation in one industry exhibition event, and terminated a couple of outsourcing agreements with marketing partners. Furthermore, we cancelled our plan to seek new office facilities in one of the branches. Some of these incidents caused a lot of anxiety, when key people felt frustrated to cancel plans and actions that have been made only some time before the new strategy was formed. However, I believe that they helped to clean up the air and especially made everyone to realize how serious management was about committing into the decided goals and objectives and strategy.

Resource allocation in product development

In the fourth workshop management's objective was to draw a conclusion for product development strategy and to prepare a proposal to the Board of Directors. In addition, allocation of software engineering resources between customer projects and own product development was another important task in the fourth workshop. The final decisions on product development and resource allocation were not reached in that workshop, but planning and discussions on these topics continued until April 2002. I will next explain the identified challenges and the process for trying to find solutions.

From the organization structure point of view Digia's engineering resources were allocated from a common pool to product development and projects according to the needs. However, in practice due to Digia's past business model, most of the company's technical resources were tied up with customer projects. It is also obvious that both product development and customer projects wanted to have the best engineers available for respective projects. This created a dilemma and it seemed that the policy had to be revised. In management meetings this issue was demonstrated by some very frustrated comments. For instance, the VP Operations Support commented once that it's really sad to replace something which the company has been building three years. The VP Product Development commented that anyone cannot have responsibility for achieving something that he cannot have fully controlled resources to do it. In other words he preferred having dedicated resources for product development rather than relying on possible, but not certain availability of engineers. His frustration was understandable and for instance in line with the current organization structure a transfer of one software architect from customer projects to product development was discussed three times in subsequent management meetings.

As Digia navigates through rough times in the mobile communications industry, the company takes into consideration changes in the markets and aims at revising the company's strategies proactively. Possible changes in the markets only magnify the challenge regarding having adequate amount of software engineering resources available and allocating them correctly between customer projects and product development. The company should be prepared to scale up its operations very fast which would require having a considerable amount of engineers available to tap fast into emerging business opportunities. This implies especially into the labor-intensive services business. On the other hand, the company is seriously aiming to achieve its financial targets, which in essence means having as few people in reserves as possible.

Signs coming from Digia's markets indicated during the first quarter of 2002 that the company should prepare to allocate more engineers into emerging projects very quickly. This is due to the increasing interest towards Symbian OS phones by several leading mobile phone manufacturers who need consulting and product creation services from such companies as Digia. In short, the dilemma is that in one hand the company wants to have ideally no free resources with a maximum utilization rate (one of the used Key Performance Indicators), but on the other hand there should an ability to respond quickly to emerging business opportunities as the customers in mobile communications industry want to move on fast when they decide to do something.

One solution to the resource flexibility dilemma is the use of external engineering resources for software development. This solution was discussed several times in management meetings, but VP Customer Projects and VP Operational Support preferred not making any commitment into this for a while, not at least during the first quarter of 2002. Regardless of initial opposition the CEO had clearly thought about this solution further and he came back with the topic later in March. In the opening comment in that meeting he reasoned that the company should have flexibility in both product development and customer projects to scale up fast software engineering activities when needed without a need to recruit always own resources for additional projects. The discussions regarding allocating resources between product development and customer projects continued in April, and eventually only a couple of weeks after the Board of Directors had accepted the product development strategy the CEO made a bold decision not to execute the accepted product development strategy.

Key Performance Indicators

When Digia's business strategy and action plan were made for the financial year 2002 management introduced four Key Performance Indicators (KPIs). KPIs consisted of measures related to financial, sales & marketing, resource efficiency and innovation. The purpose of KPIs was to introduce measurements with predetermined targets which would help to control and manage the company so that it would achieve the overall targets. The CEO was a master designer of KPIs, but he discussed with all relevant management members before determining them. This co-operation with management members was essential to ensure commitment from them and to using them in an appropriate way when personal goals and objectives were subsequently set for the management members. Digia also evaluated a feasibility to take Norton's and Kaplan's Balanced Score Card (BSC) into use. Management decided to use Digia's company values including commitment, collaboration, care and creativity as measured drivers on implementation of the BSC card. The values had earlier been determined by the company's staff, and thereby personnel should be committed into them.

Subcontracting is a labor intensive way of conducting business. Therefore, it is important to follow how efficiently engineering resources are used in customer projects which are done on subcontracting basis. Unless resource planning and monitoring are done properly, at the end of each project engineers would easily end up being in "idle" mode. This explains why one of the most important measurements for operations management is the utilization rate of engineering resources. At Digia this rate is monitored on continuous basis and it is reported to the Board of Directors every month. An unfortunate side effect for maintaining the utilization rate at high level on continuous basis is that a company resists recruiting new engineers and it is difficult to allocate resources to new projects at short lead times. A positive effect of a high utilization rate is that a revenue/cost ratio of engineering is at optimum level.

Another evident result of pure customer project business is that it is hard for a subcontractor to implement own product innovation. In subcontracting contracts a customer, who orders development work from the subcontractor, many times owns all IPRs and masters creative side of projects. The customer typically has a team of people who are responsible for specifying products, whereas the subcontractor's role is to diligently develop what has been agreed between the parties. However, innovation culture can been created by correct resourcing, setting up supportive KPI and BSC measures, such as a number of patents filed per year, which can guide the organization into innovation. Obviously incentives for innovation, e.g. reward schemes, must also be in place for the staff to encourage innovative thinking. Digia's management has been working hard to solve the issues presented in this paragraph.

What has made the discussion interesting in this chapter is the discrepancy between the direction of the company as described in the Founder's vision and implications of the business strategy which has mainly been planned by management. In one hand the Founder wishes to transform Digia from being a software subcontractor into a product supplier, and on the other hand management has decided to pursue a different route of action by terminating product development plans and allocating development resources into cash generating customer projects. Management has full support from the Board of Directors including the Founder as the Chairman of the Board to pursue the subcontracting centric strategy in the foreseeable future.

Summary

In the first part of this sub-chapter dealing with Digia's business strategy, I reviewed the Founder's role in the company's business strategy through interaction with management. The Founder's role in making business strategy has been two-fold at Digia. One, as the Chief Strategist the Founder has contributed especially in the process by gathering, disseminating and analyzing data from external environment. Two, as the Chairman of the Board he had another role in accepting the business strategy prepared and submitted to the Board of Directors by management.

As an outgoing person he loves to speak openly with customers, partners, investors and other stakeholders in the company's environment, and through discussions with them the Founder is able to elicit valuable first-hand information about the markets and trends. Furthermore, as a former journalist the Founder has a tight personal network with media and he is an avid reader of newspapers, magazines etc. His analytical way of thinking enables him to pick up the most relevant pieces of information which he then quickly processes and analyzes in his mind before distributing the original information combined with his own conclusions to management.

In the second part of this sub-chapter, I have reviewed central phases of Digia's business strategy formation process. In that process management used input from the Founder and all management team members for analyzing the market situation and the company's position in relation to internal strengths and weaknesses and external opportunities and threats. After initial discussions and forming the strategy formation team, management identified two key drivers for the strategy-making. These drivers included the goal to reach profitability of operations and the need to develop own products in 2002. Management used these drivers for determining the action plan and the related budget in parallel.

Based on the outcome of preliminary round of discussions, the strategy was formed by management. A majority of the strategy work was conducted in four workshops. In the first two workshops management discussed market environment and envisioned the industry landscape for the company. In the third workshop management reviewed all product concepts that Digia had developed and started prioritizing resource allocation for developing those concepts further. In the final fourth workshop management's objective was to draw a conclusion for product development strategy and to prepare a related proposal to the Board of Directors. Management documented the business strategy into Digia Action Plan 2002 which summarized the background for the strategy and included the action plan for implementation.

Management faced challenges in the process related to early implementation of tight cost-control and allocation of software engineering resources between product development and customer projects. Early problems with changing behaviors in a favor of saving expenses and eliminating investments were resolved, and management succeeded in implementing new cost-control measures with the help of appropriate measures. Product development planning continued until the first quarter of 2002, but the CEO eventually suggested canceling the plan which had already been once accepted by the Board of Directors. This decision helped the company to achieve its main financial target in 2002 which was achieving profitability of operations.

5. DISCUSSION OF RESULTS

Introduction

In summary, the purpose of my study was to identify strategy processes in the entrepreneurial case company. What makes the focus of the study interesting is that relatively little research has been done on strategy-processes in entrepreneurial organizations. Entrepreneurship has been studied extensively as well as the strategy-making processes in larger firms, but the academia (e.g. Mintzberg et al. 1998) has recognized a need for additional empirical information regarding how strategies are formed in entrepreneurial firms. In this chapter, I will first review shortly the contents of this paper up to this point and revisit the work process of my study. I will then continue with discussion of empirical findings in the light of the theoretical framework and I will suggest the main conclusions of the study.

High-lights of this paper and the empirical study

In this paper following the opening chapter I first reviewed the outcome of three earlier studies which are fairly closely related to the topic of my study. In the subsequent chapter I reported the results of the literature review. Based on the literature, which consisted of articles and books dealing with entrepreneurship and strategy processes, I formed the theoretical framework for this paper. Mintzberg is one of the most well-known advocates and authors of strategy processes and entrepreneurship. His extensive experience with empirical studies increases his credibility, and that is why I have primarily reviewed his work in detail for this study. As a result, I have introduced a number of his articles, books and central concepts of strategy processes and entrepreneurship earlier in this paper. Mintzberg's concepts have formed the backbone of the theoretical framework supported by a various group of other researchers. Finally, after building the theoretical framework I reviewed the empirical findings of my field study.

In the empirical phase of the study the main purpose was to discover how strategies are formed at Digia. My data gathering questions in the empirical research on the field included the following: (1) Who are involved in strategy formulation at the company; (2) Which are those internal and external factors that are believed to have an impact on strategies; (3) What kind of decision-making processes are in use for formulating strategies; and (4) How does the Digia management team aim to align various strategies. I gathered the information on the field study using the active participation observation method. This phase lasted from May 2001 to May 2002.

When the field study started unfolding I recognized that the Founder and management are the primary people who are involved in the strategy-making process at Digia. Therefore, I concentrated on observing their interaction with each other, but I also monitored whether external factors have influence in the strategy-making process. These tasks essentially meant gathering information to the second and third question. The fourth question was not relevant with the other questions, and therefore I dropped it out in the early phase of the actual study.

To understand the role of the Founder in the strategy-making process of the company I observed his behavior and personal traits closely at work. The empirical evidence demonstrates that through his behavior and thinking patterns the case company is an entrepreneurial business entity. The Founder works full-time as the Chief Strategist at the company which adds justification to look the strategy-making process primarily from his entrepreneurial perspective. I found out in the field study, however, that the Founder and management developed their quite distinctive roles in the process. I also identified some external factors which had influence on the outcome of the strategy-making work. I will now move on to incorporate the theoretical framework and outcome of the empirical research by interpreting empirical results in the light of the framework concepts.

Analysis of the empirical data using the theoretical framework

As one general main finding, based on my empirical observations I think that in the current entrepreneurial strategy-making framework a number of persons who are believed to be involved in the strategy-making process is too narrowly defined. According to the literature (e.g. Mintzberg 1989; 1998, Ohmae 1983), strategies are formed by individual persons in entrepreneurial firms. My findings at Digia indicate that strategies are formed in collaboration between the Founder and management, and not exclusively by the Founder, the CEO or any other individual alone.

This observed discrepancy between the theoretical framework and empirical evidence raises two critical questions in my mind regarding the methodology of this study. One, the discrepancy makes me wonder whether Digia is an entrepreneurial firm in the first place, and if that was the case then it would not make sense to use the entrepreneurial strategy-making style for analyzing the gathered evidence. Two, even if the company was entrepreneurial it does mean necessarily that it is actually deploying the entrepreneurial strategy-making style. Finding answers to these questions is so important that I will start the analysis by discussing how central concepts of the entrepreneurship are visible at Digia. After that I will analyze Digia's strategy-making process in terms of the theoretical concepts which I have introduced earlier in this report. The objective is to show that the case company can be indeed classified as entrepreneurial one and the concepts of the entrepreneurial strategy-making style can be recognized at the company.

Analysis of the entrepreneurship at Digia

In the theoretical part of this paper I have reviewed entrepreneurship from two perspectives. First, I compared the phenomenon of entrepreneurship in general terms, and second, in another approach I described typical entrepreneurs according to their traits, functions and behaviors. In the contemporary literature dealing with entrepreneurship (e.g. Reich 1987, Stevenson and Gumbert 1985) it is noted that entrepreneurship in an organizational issue. Stevenson and Gumbert suggest that in organizations entrepreneurial thinking and behavior often face counter forces when most people prefer keeping things unchanged. They suggest that entrepreneurship should diffuse throughout the organization to become an entrepreneurial organization.

Mintzberg (1989) and Drucker (1984) are advocates of the individual level entrepreneurship and they suggest that strategic decision-making is typically highly centralized in which the individual leader has an exclusive role in that activity. At Digia, I have observed partial support for this view. The Founder has been solely responsible for determining the vision and stating the direction for the company in the first place. In addition, as the Chief Strategist he is in a key role to contribute in the strategy-making processes, and as the Chairman of the Board and largest shareholder he has a lot of formal authority to either accept or reject strategic decisions proposed by management. However, unlike Mintzberg and Drucker suggest that the individual leader forms strategies in his or her head, my observations indicate that at Digia's Founder openly communicates his fresh ideas as well as his analyzed thoughts to management for further processing and decision-making. This discrepancy can partially be explained by the small size of entrepreneurial firms which Mintzberg and Drucker are referring to. In addition, my conclusion is that the Founder's outspoken personality has an impact on his desire to freely express his thoughts. Actually I find it very hard to think him hiding his thoughts and ideas in relation to the strategy-making. Moreover, the Founder's background with no formal education or work experience in engineering may encourage him to seek ideas from others more easily.

Entrepreneurs have been studied earlier alternatively in terms of their traits, functions and behaviors. It is worthwhile examining how Digia's Founder fits into the suggested criteria. To start with, many authors (e.g. Mintzberg 1989, Ansoff 1984, Drucker 1985, Hamel and Prahalad 2000) have noted that innovation and high levels of energy are typical for entrepreneurs. Innovation is a relative term and we have to be careful when we evaluate persons in terms of innovation. Based on the empirical data, the Founder is not innovative if we measure innovation in terms of new product ideas or other engineering breakthroughs. On the other hand, we get some support for this theoretical aspect if we consider innovation as a capability to think strategically and analytically. The Founder demonstrated this personality feature several times during the research. The Founder has also illustrated drive and energy when he has proposed ideas for developing the company further.

In general, the Founder's personal traits and behavior patterns have had an impact on the interaction with management regarding shaping strategies of the company. As an entrepreneur his mind-set is opportunistic, he has a high self-esteem and self-confidence which are demonstrated by his ability to create relationships with top executives of customers and other stakeholders. Recognizing importance of analytical thinking in the strategy-making, the Founder is keen on studying environment in which the company operates. He collects information on continuous basis from several sources such as newspapers, magazines, Internet, customers, employees, investors, and market reports. He processes the collected information, analyses it and then suggests them openly to management team members. The Founder's social skills helps him to make most people feel comfortable which has an indirect impact on the customers purchasing behavior which, in turn, is related to the strategy-making of the company. In comparison to the earlier research, Mintzberg and Waters (1982) hade similar findings in his study with the Canadian retail chain.

In comparison to trait based orientation of entrepreneurs we can recognize some contradictory views. Whereas Bhide (1994) says that different entrepreneurs have very different personalities and backgrounds, some other authors have recognized and expressed typical traits in entrepreneurs. For instance, Herbert and Link (1988) suggest that the entrepreneurs are creative, energetic and highly-motivated people who are responsible for decision-making. Harrison and Taylor (1996) have commented that entrepreneurs understand their markets and customers, risks associated with new ventures and have an ability to form teams and adapt to changing market environment. Furthermore, according to Harrison and Taylor entrepreneurs have a clear philosophy for their business. My empirical data from Digia supports findings of other authors in large extent. The Founder of Digia thinks himself that entrepreneurship is an inherited personality feature. I do not personally believe that, but I think that entrepreneurial mindset can be learned from one generation to another. The Founder is a person who likes to set high goals and he radiates energy into his environment. As an avid reader and thanks to his outspoken personality, the Founder absorbs a lot of information from markets for his own and management's analysis. He also has demonstrated an ability to consider risks which the company must face in operating uncertain markets, and to change the course of the company's direction when its original markets started deteriorating. Finally, the Founder loves to present Digia as a company, and in his presentations he illustrates his understanding the company's core philosophy.

The behavioral orientation of entrepreneurship offers a useful model to interpret my empirical observations. Stevenson and Gumbert (1985) have formed a model which suggests that entrepreneurship is favored especially in situations when new companies are founded or when a more established company must execute a major transformation because of radical changes in environment. On the other hand, entrepreneurship has counter forces in form of an administrative way of doing things which results in order and structure. This is in line what I experienced at Digia. The Founder established the company in the first place when he foresaw opportunities in new media business by using his experience as a former journalist and his opinion on increasing popularity of Internet and World Wide Web. Furthermore he initiated the move towards wireless mobile software development when he predicted difficulties in making original new media business successful and trusted his instincts on the growth of emerging opportunities in the right niche of the mobile communications industry. The Founder also constantly seeks new opportunities, which motivates him to scan environment vigorously from media, various stakeholders and other sources of information.

Furthermore, visionary thinking (e.g. Mintzberg et al. 1998) is usual for entrepreneurs who have a capability and desire to predict the future. Based rather on intuition than real knowledge they are willing to make moves for themselves and their companies which can be risky, but if the future unfolds as they had predicted both them and their companies have an opportunity to prosper as a result. In analysis of the Founder's visionary thinking, his decision-making on the family trip between Helsinki and Stockholm illustrates typical behavior for entrepreneurs who prefer making strategies by themselves with no help from others. The Founder has made it clear, when he has told the story several times, that there was nobody else involved in that decision-making process. There had been no workshops or roundtable meetings with management nor did he read any additional market report prepared by consultants. He was all alone in that cabin on the ferry when he had collected his thoughts and had made up his mind.

The visionary planning of the company is not completed at Digia, however, since the vision should reveal not only the direction but it should include also offer some measurable goals in terms of size and time-frame (Luostarinen 2002). In my one-to-one discussion with the Founder he has stated these needed missing parts from the vision (e.g. size and related timeframe) when I asked for them, but the impact of vision remains nevertheless weak as the supporting strategy-making component until it has been: (1) properly communicated; (2) supported by change, process and knowledge management; (3) based on honest SWOT analysis; (4) supported by development plan for core resources and capabilities; (5) used as a basis for strategic and operative planning; and (6) used as a cornerstone for corporate image building (Luostarinen, 2002).

The Founder does not insist sticking with his old roles, but he wants to concentrate on doing what he is best at. He continues as the Chief Strategist in daily operations of the company which task offers him an opportunity to use his obsession in following the markets. Furthermore, the Founder has learned in practice how venture capital markets function and consequently he is responsible for investor relations. Finally, the Founder is the main shareholder and acts as the Chairman of the Board. I evidenced a clear transformation of power during my research when the roles and responsibilities were clarified between the Founder, the CEO and the rest of management. As a result the CEO together with management is responsible for the strategy-making and implementing strategies. As the Chief Strategist the Founder contributes in the strategy-making process and as the Chairman of the Board he has authority to control the strategy process in all phases.

At the end of the field study management represented a balancing power to the Founder's entrepreneurial thinking and behavior. Management brought in order, structure, formal planning and performance measurement. For instance, strategy workshops and creation of formal business plans illustrate formal planning, and introduction of key performance criteria is a sign of control and performance measurement which management has initiated in the company.

My suggestion is that these changes in Digia's entrepreneurial structure can be the end-result of combination of a couple of factors. One, the Founder has a wealth of experience in journalism and when the company was initially started as a new media venture focusing at Finnish organizations, the Founder himself knew all intimate details of business. Therefore, the classical entrepreneurial organization structure in which power is highly concentrated was feasible and probably also most effective to run the business. However, when the Founder initiated the transition towards wireless communication, in which he has much less know-how personally, he recognized a need to recruit professionals to build the company further with him. He stepped down as the CEO and handed over the task to a person whom the Founder recruited into the company. The other reason could be that the company has started a deliberate transformation away from the entrepreneurial structure.

In conclusion, the purpose of this sub-chapter has been to illustrate the entrepreneurial characteristics of Digia and its Founder in the light of the theoretical framework. I have shown in several ways that the earlier developed concepts of entrepreneurship are applicable to Digia. In addition, two interesting findings emerge from the analytical discussion which I have presented in this subchapter. The theoretical framework suggests that in entrepreneurship all power is concentrated to the entrepreneur (e.g. Mintzberg 1973; 1994), but the analysis indicates that it is not necessarily the case in all entrepreneurial firms. Although the Founder plays a key role at Digia, he has made room for others to participate in planning and decision-making. Furthermore, unlike suggested in the theoretical framework, the Founder communicates his ideas and analyses openly to management. This has opened a possibility to form a management team which has been taking more control and authority in running the company. In all, the analysis presented in this sub-chapter provides a solid foundation to examine the company's strategy-making processes by using the concepts of the entrepreneurial strategy-making style as analytical tools. I will present the results of this analysis next.

Analysis of the strategy-making processes at Digia

The review of some earlier studies and the literature on the strategy-making processes, which I covered in first parts of this paper, offers the conceptual tools which I need for analyzing my empirical observations of the strategy-making processes at Digia. In this sub-chapter I will examine the outcome of the gathered empirical data in the light of those theoretical concepts. I will present the analysis using the same structure which I used in presenting the empirical observations earlier in this study. In other words, I will examine the strategy-making processes regarding four areas including product development, sales and partnerships, growth and business strategy. The rationale for this structure is the Founder's varying contribution and role in the strategy-making reflecting his personal strengths and experiences.

Vision

In the theoretical entrepreneurial strategy-making process framework vision captures a central position. The underlying principle of several commentators (e.g. Mintzberg 1989; 1998, Ansoff 1984, Collins and Porras 1994, Watson 1994) in this respect is that the entrepreneur needs to maintain intimate knowledge of the company's markets which enables creating right visions and articulating them effectively to the others. For instance, in *Strategy Safari* Mintzberg et al. (1998) define strategy formation in the entrepreneurial organization as a visionary process. Because visions are typically more flexible than deliberate written strategies they support firms in navigating through discontinuities in the markets.

As I already briefly concluded in the previous sub-chapter, my empirical evidence indicates that the Founder is clearly the master of visionary thinking at Digia. I observed that visionary thinking has had a significant impact on setting the direction for Digia. The Founder is an avid reader of market related information and he has a lot of personal contacts which he uses effectively to stay on top of trends in the industry. This personal characteristic helped the Founder to initiate Digia's business in the first place when he as a former journalist had recognized emerging business opportunities in new media. Similarly, he later wanted to exit the new media business because of declining market size estimates and to make an entry into development of software for future smart phones instead. As a critical comment I have noticed that neither the Founder nor anyone else in the company has been able to recognize a silver bullet for making a serious entry into product business. The Founder has a capability for visionary thinking, but probably because of his limited skills to combine technologies and needs of consumers in the future, he has not been able to make a decisive contribution in the product business. Some others in the company probably have the needed technological skills, but they are not encourages to think in such an innovative manner which would have been needed for starting the product business. Although the company worked hard in assessing opportunities to start transforming its business from a subcontractor into a mobile software product provider, the limited visionary capability partially explains Digia's exit from the product business. Digia prefers sticking with what it does the best, i.e. software development on subcontracting basis to its customers.

The strategy-making processes

In the theoretical framework of the entrepreneurial strategy-making, which I constructed in earlier parts of this paper, five aspects stand out. These aspects have been reviewed by several authors and they form a core of the related strategy-making approach. The aspects consist of a tendency to omit formal business plans (e.g. Bhide 1994); the entrepreneur's intimate in-depth knowledge of customers and markets (e.g. Mintzberg and Waters 1982); usage of personal relationships (e.g. Harris et al. 2002); encouragement to deploy more than just one strategy-making style (e.g. Hart and Banbury 1994); and deliberate and emergent features of the strategy-making (e.g. Mintzberg and Waters 1985). My rationale for highlighting these characteristics and also using them for analyzing Digia's strategy-making processes are as follows.

In the light of the theoretical framework we might think that ideas for product development generate through the entrepreneur's interaction with various stakeholders of the company, customers, partners, competitors and so on. The process is likely emergent, i.e. it is difficult to predict when and where the major innovation comes to mind which the entrepreneur then starts nurturing and developing for more concrete plans (Mintzberg and Waters 1985). In practice at Digia, a quite different approach was used. Product strategies were developed typically in internal workshops which the Founder, management and sometimes a couple of other relevant persons from staff participated. The company's technical adviser was involved in the workshops sometimes. I think that in principle the workshops could have supported formulating a credible product development strategy because the topics were dealing seemingly with the right issues (e.g. industry landscape, understanding customer needs, SWOT analysis etc). However, considering how much emphasis the researchers have put in significance of intimate customer and market knowledge (e.g. Mintzberg and Waters 1982), this may explain why Digia's Founder and management were not able to form a credible product strategy – one which the Founder, the CEO and management would have believed in by themselves. I have described in this paper that the Founder has a passion to predict industry trends, but neither his screening nor management's and other staff's knowledge include the required in-depth understanding of consumer needs. The company's information was based on second-hand data with a very limited direct interface directly with consumers who would have been users of the company's products. In summary, Digia's product development strategy process was deliberate, and it produced the formal plan which was eventually rejected because of lacking credibility.

From the theoretical perspective Digia made a similar mistake in the sales and partnerships strategy formation process as it did in forming the product development strategy. Also in this case, the initial strategy was not based on intimate knowledge of customers and markets. In May 2001, when I personally kicked off the process, I used a lot of second-hand information. This was a mistake remembering what for instance Mintzberg (1982; 1989) and Bhide (1994) have commented about the importance of knowing the customers and markets at in-depth level. Although I had worked for mobile communications industry two years before joining Digia, I didn't have very many primary contacts with mobile phone manufacturers. This lack of experience was not compensated by other management team members' and the Founder's knowledge either because even they had had access to single customer in smart mobile phone manufacturing business and therefore the view of the market was not solid enough. Nevertheless, we formed the initial sales and partnerships strategy during early summer 2001 which targeted at creating a one-stop-solution for desired customers. The problem, which I just described, emerged shortly when it appeared that there was not demand for the solution we wanted to offer. In other words, the initial strategy had been doomed to fail from day one because it was based more on hopes and consultants' reports than more credible information gathered from discussions with customers. This excluded Digia's only mobile phone manufacturing customer at time.

The initial sales and partnership strategy was deliberately formed, but I had luckily adopted a flexible approach and wanted quickly to start adjusting the strategy when we started gathering more meaningful and credible information from the markets. As a result, the one-stop-solution strategy was dropped out and having read Hamel's (2000) contribution about significance of main customers in creating new business I suggested an alternative route for expanding business. In that new approach we decided to focus more on the lead customer and to assess additional external cooperation opportunities with them. We also abandoned a discussed possibility to start developing applications for operators, but decided to concentrate on approaching new prospective customers in mobile phone manufacturing sector. The rationale for approaching them was to leverage that particular engineering know-how which the company had gathered during two years when it had developed software as a subcontractor. We decided to start promoting similar services to new customers. This was a fairly deliberate way of forming the strategy, which had also emergent features when time started passing by. First, we spotted an opportunity to work with the lead customer's strategic initiative, and second we succeeded in making the potential new customers to believe our revised story about the company offering. It was an emergent process, however, when they started revealing us their plans and needs for software subcontracting.

Interpreting Digia's sales and partnerships strategy-making process using Mintzberg's (1985) analytical tools, the company intended to focus on serving leading mobile phone manufacturers (intended strategy) which also happened (realized strategy). On the other hand, Digia had prepared to approach mobile operator segment based on the research it had conducted. However, due to limited resources and slowly evolving markets, the company decided to execute an entry neither to the operator nor to the vertical markets (unrealized strategy). Moreover, the lead customer's decision to start selling its own smart phone software platform was a favorable surprise to Digia which had a wealth of experience with that platform, and consequently started seeking opportunities how it could exploit the accumulated know-how for winning business with other customers (emergent strategy). This motivated the company to strengthen the relationship with the lead customer, and joint sales and marketing activities started.

Regarding the growth strategy formation, the basic goals for expansion were set forth in the private placement prospectus in 2000. When the initial product development strategy had been formulated in spring 2001, the CEO requested one consultancy firm to evaluate ideal acquisition targets for Digia which would complement the intended own product portfolio. In addition, management drafted some blueprints about internationalization of the company, but no other formal M&A strategy was formed. The organic growth was implemented in small increments which aimed at fulfilling the increasing demand for the company's engineering services. The company's management's and especially the Founder's personal relationships had an impact when the lead customer offered to sell one of its development centers to Digia. Digia also utilized the opportunity and acquired the site located in the city of Pori in Finland. In this discussion it is interesting to recognize the similarity in growth between Steinberg, which had been studied by Mintzberg and Waters (1982) and Digia. Mintzberg and Waters use the term "inchworm" strategy to describe Steinberg's tendency to grow in bursts and occasionally even scale back the operations. Reviewing Digia's past history similar phenomena can be identified. In 1999-2001 the company made several acquisitions in Finland and since the policy was initially to keep all people this led into excessive overhead in general management. The company cured the situation during second half of 2001 when right-sizing was completed.

The strategy-making process which took place for forming the business strategy for year 2002 illustrated a few interesting issues. The business strategy was a result of cooperation between the Founder and management, and not an individual solo activity as I have presented the strategy-making to be in the theoretical framework. At Digia, the Founder and management defined their roles clearly before the related strategy-making process was kicked off. The Founder as the Chief Strategist made significant contribution in identifying and communicating trends in the industry which helped management to prepare the business strategy for on-coming year. The Founder also suggested the roles which Digia could play in the future. Thereby, the Founder's skills as a visionary leader were utilized by management. Management had a series of workshops in which it formulated the business strategy with the needed budget. In that process, which the Founder did not participate, management demonstrated that it had learned a lesson in a sense that the business strategy was based on intimate knowledge about the uncertainty in the markets and customers' situation. This was reflected in budgets and resource levels and right-sizing of the personnel was conducted at the end of 2001. Thereby, an intended strategy which was also documented became a deliberate strategy.

Is administrative control replacing or supplementing entrepreneurship at Digia?

The question raised in the heading above is interesting from the perspective of the theoretical framework when take the empirical evidence into consideration. Stevenson and Gumbert (1985) have separated the administrative behavior on the other end of the spectrum compared to entrepreneurial behavior in terms of desire for growth and change. Entrepreneurs want growth and change while administrators want keep things unchanged. My evidence suggests something else, however. It is true that Digia's management has introduced more structured manners for the strategy-making in comparison to the Founder's intuitive and opportunity driven entrepreneurial thinking and behavior. While the Founder develops a business model intuitively and easily on the spot after receiving new information, management prefers to process and analyze information in several work-shops before making any conclusions. In later phases of the process management uses control mechanisms such as predetermined Key Performance Indicators and Balance Score

Card for making corrective actions to the strategy. To generalize this finding I think that in an ideal situation the firm makes deliberately room for both entrepreneurial and administrative styles. The former is necessary for making quantum jumps in business when they are desired and administrative style helps the firm to make the business profitable. The analysis in this sub-chapter has provided additional information dealing with the belief that strategies are formed through interaction between the Founder and management, i.e. the strategy-making process at Digia is not a solo from any person, but well-planned and structured joint effort.

Main findings of the study

In conclusion, two main findings emerge from the analysis of the study presented in this chapter. One main finding was that the strategy-making processes are implemented at Digia through interaction between the Founder and management. The Founder acts as the Chief Strategist in the company and management uses the Founder's skills for identifying opportunities and suggesting new businesses for its own further formal analysis. The theoretical framework doesn't suggest that an entrepreneur's personal skills and background can have an impact on his role as a strategist. Probably it is suggested that the entrepreneur is multi-skilled and is able to make all functional strategies on individual basis. In this case study, I have illustrated that the Founder is involved in all strategy-making processes, but his contribution varies depending on the functional strategy. This finding raises a question about the related part of the theoretical framework, which states that the strategy-making is a visionary process in which the entrepreneur sets the strategy for the organization on individual basis. To verify coexistence of two roles in entrepreneurial organizations additional research in other companies would need to be undertaken.

Another significant finding of the study is that regardless of strong entrepreneurial flavor in the case company, more structured administrative strategy-making and control mechanisms have been emerging. With administrative mechanisms I am referring to tools which management have used as a guideline in the strategy-making task, e.g. profitability goal, balance score card as well as disciplined working methods such as workshops for planning the business strategy and the budget. Based on the empirical evidence which I gathered it is not feasible to conclude whether the administrative style will supplement or replace the entrepreneurial strategy-making style in the company. If the initial cooperation between the Founder and management in the strategy-making process becomes a norm, in that case this study provides additional evidence that several strategy-making styles can co-exist. In other words, the entrepreneurial firms could use different strategy-making approaches in different situations.

To finalize this analysis, I summarize some additional findings of the study. To start with, the results provide supporting evidence for the theoretical view that a prerequisite for successful orthodox entrepreneurial strategy-making is an intimate knowledge of markets and customers. At the case company a lack of customer requirements partly explains why the case company rejected the product development strategy and why the company's original sales and partnerships strategy was doomed to fail. On the other hand, the case company succeeded in developing business further with the lead customer because of an in-depth understanding of the customer's requirements. Furthermore, the Founder's open communication style and his personal background may have affected why the strategy-making process is not a solo activity as suggested in the theoretical framework. Finally, a discrepancy between the Founder's vision and the business strategy the case company started pursuing might be explained in some extent by the fact that the visionary process has not completed efficiently for the time being.

6. CONCLUSIONS

The purpose of this study was to examine how strategies are formed at an entrepreneurial firm, and thereby to shed light on relatively unexplored field of the strategy-making processes in entrepreneurial context. I undertook the research as a case study during 2001-2002 at Digia Inc which is a mobile software contractor firm based in Finland. I worked as a senior management team member during the study which made use of active participation method feasible in the data gathering phase. The field study was the first phase of this research project.

Following the data gathering phase, I built the theoretical framework based on the literature review. The literature review focused at entrepreneurship and the strategy-making processes. The main concepts of the built theoretical framework have been developed by Mintzberg who has been researching both entrepreneurship and strategy-processes. Mintzberg is also one of the few researchers who have made a significant contribution in studying strategy processes in entrepreneurial context. Furthermore, I examined in detail three earlier studies dealing with the strategy-making in entrepreneurial firms. The review of the earlier studies and the theoretical framework were presented in the first parts of this paper.

Next, I analyzed the gathered empirical data using the concepts presented in the theoretical framework and the review of earlier studies as analytical tools. As a result of the analysis I came up with two main findings. One main finding of the study was that strategy-making can involve more people than a single entrepreneurial leader as suggested in the theoretical framework. At the case company strategies were formed through interaction between the entrepreneurial Founder and the management team of the company. The roles and responsibilities in the strategy-making process between the Founder and management were clarified during the study period. I concluded that the source of shared roles and responsibilities in the strategy-making originate from the Founder's non-engineering background, open communication style and social skills. The other main finding of the study was that a more administrative style has emerged at the company which supplements the entrepreneurial strategy-making style by bringing in control and structure.

In comparison to the findings presented by other researchers I have made partially similar and partially different findings. Regarding the similarities the results of this study show that several different strategy-making styles can be deployed at entrepreneurial firms. For instance, Mintzberg and Lampel (1999) and Hart and Banbury (1994) have concluded that use of many different strategy-making approaches in more efficient than sticking with one only. Similarly, in my study I noticed that management's more structured strategy-making style has emerged which nicely supplements the Founder's entrepreneurial style. On the other hand, whereas the theoretical framework suggests that strategies are formed exclusively by individual leaders in entrepreneurial firms, my finding was that it can involve several people.

Based on the findings of this study, the theoretical framework seems to lose some credibility when the organization is not run exclusively by one individual leader. After indicating in detail that the case company is entrepreneurial company, I have shown that the entrepreneurial strategy-making can involve several persons. As a practical conclusion of the study I would recommend entrepreneurs to openly communicate their ideas and analyzes to other key people and activate their involvement in the strategy-making process. Furthermore, since additional support was discovered for using more than just one strategy-making style in the entrepreneurial firm, this finding should encourage entrepreneurial organizations to use different strategy-making approaches depending on the situation and phase of the company's life-cycle.

The paradox of this study was my employment and management position in the company during the data gathering phase. In one hand it enabled more thorough and insight observations which improved both the quality and quantity of empirical data. On the other hand, because I was influenced by my own feelings and practical work in the strategy-making processes regarding the observations, the results of the study may be biased to some extent. Moreover, had I been an external researcher at the case company I might have interpreted some incidents differently. Despite of these caveats, I believe that the results of the study should be fairly reliable and valid because the data gathering period was relatively long (12 months) and I was able to identify clear patterns in the strategy-making processes during the field study.

Finally, further research is needed to test the concepts of the presented theoretical framework and to develop models for the strategy-making processes in entrepreneurial organizations. Based on the findings of this study it would be interesting to find out how the entrepreneur's background, personality etc. affect the strategy-making style adopted by him or her in other similar companies. Furthermore, it remains to be seen at Digia in what extent the Founder's entrepreneurial thinking and behavior will continue to have influence on the company's strategies. Finally, although it was not raised in any part of the study it would be interesting to research how members of management are committed and motivated to work in line with the direction and strategies formed by an individual leader. This implies especially to organizations in which management members are be well-educated, experienced and skilful in the strategy-making processes.

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